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STARHILL REAL ESTATE INVESTMENT TRUST



annual report 2013

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the journey continues...

annual report 2013

Contents



Corporate Review

Financial Highlights	2
Fund Performance	4
Chief Executive Officer's Statement	6
Property Portfolio	12
Review of the Property Market	38
Corporate Information	40
Profile of the Board of Directors	41
Statement on Corporate Governance	44
Analysis of Unitholdings	48
Statement of Interests of Directors of the Manager	49

Financial Statements

Manager's Report	51
Statement by Manager	61
Statutory Declaration	61
Trustee's Report	62
Independent Auditors' Report	63
Statements of Profit or Loss	65
Statements of Other Comprehensive Income	67
Statements of Financial Position	68
Statements of Changes in Net Asset Value	70
Statements of Cash Flows	72
Notes to the Financial Statements	74
Supplementary Information on the Disclosure of Realised and Unrealised Profits or Losses	120

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FINANCIAL HIGHLIGHTS

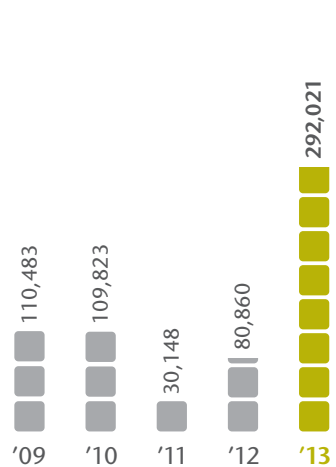
	2013	2012	2011	2010	2009
Revenue (RM'000)	292,021	80,860	30,148	109,823	110,483
Profit before tax (RM'000)	56,242	107,264	59,923	31,077 [^]	355,847 [#]
Profit after tax (RM'000)	55,747	106,161	58,239	31,077 [^]	355,847 [#]
Total assets (RM'000)	2,991,905 ^{*1}	1,769,144	1,586,102	1,618,702	1,656,676
Net asset value (RM'000)	1,316,068	1,515,536	1,356,659	1,374,877	1,420,257
Units in circulation ('000)	1,324,389	1,324,389	1,178,889	1,178,889	1,178,889
Net asset value per Unit (RM)	0.994	1.144	1.151	1.166	1.205
Earnings per Unit (sen)	4.21	8.36	4.94	2.64 [^]	30.18 [#]
Distribution per Unit (sen)	7.3803 ^{*2}	7.6359	6.4855	6.4855	6.9121

[#] Includes the fair value adjustment on investment properties of RM274.36 million that arose from the revaluation of the Trust's parcels in Lot 10 Shopping Centre ("Lot 10 Parcels"), Starhill Gallery, JW Marriott Hotel Kuala Lumpur and the Trust's parcels in The Residences at The Ritz-Carlton, Kuala Lumpur, during the financial year ended 30 June 2009.

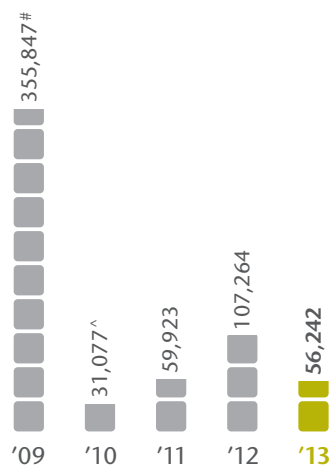
[^] Includes the loss on disposal of the Lot 10 Parcels and Starhill Gallery of RM39.65 million mainly due to the decrease in fair value adjustment of RM24.66 million.

^{*1} Includes 3 Marriott Properties in Australia of RM1,264 million acquired during the financial year ended 30 June 2013.

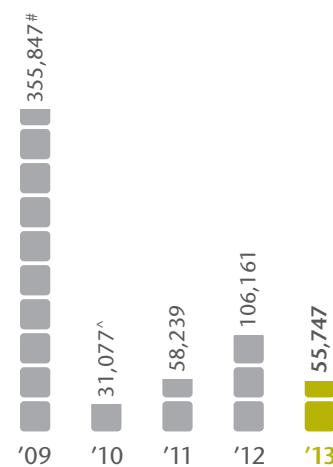
^{*2} approximately 93% of the total distributable income.



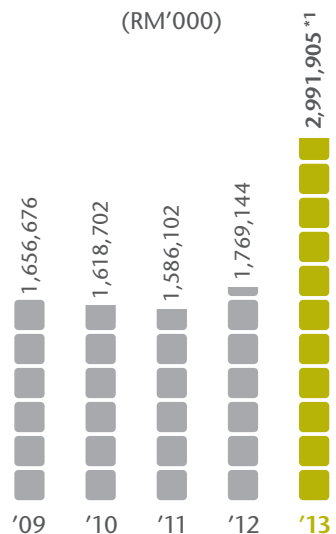
REVENUE
(RM'000)



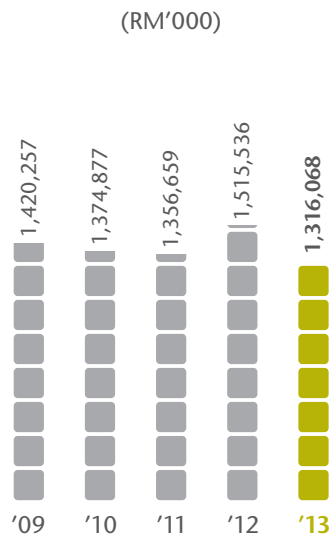
PROFIT BEFORE TAX
(RM'000)



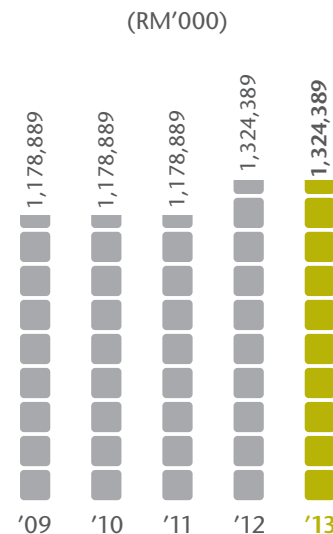
PROFIT AFTER TAX
(RM'000)



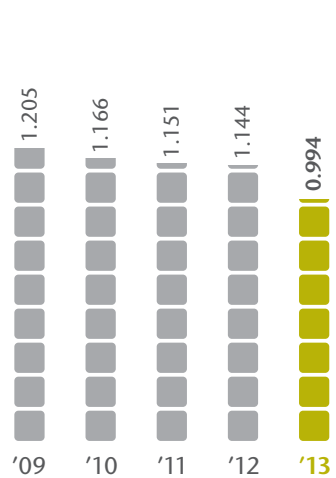
TOTAL ASSETS
(RM'000)



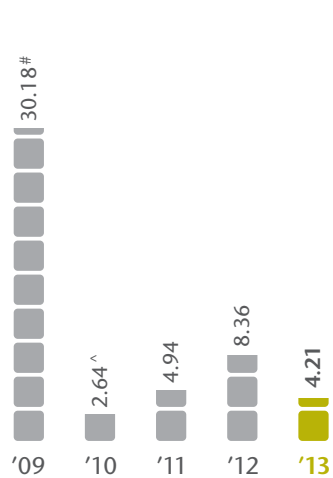
NET ASSET VALUE
(RM'000)



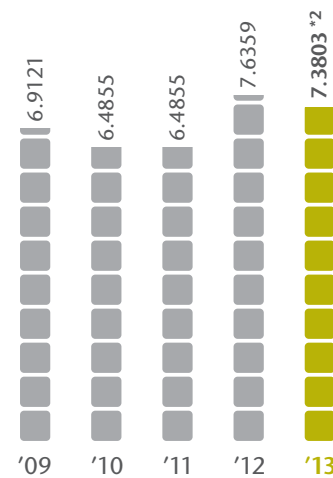
UNITS IN CIRCULATION
('000)



NET ASSET VALUE PER UNIT
(RM)



EARNINGS PER UNIT
(SEN)



DISTRIBUTION PER UNIT
(SEN)

FUND PERFORMANCE

(I) PORTFOLIO COMPOSITION OF THE GROUP

At 30 June	2013 %	2012 %	2011 %	2010 %	2009 %
Real Estate	96	95	31	50	94
Non-real estate-related assets	–	–	26	41	–
Deposits	4	5	43	9	6
	100	100	100	100	100

(II) NET ASSET VALUE & UNIT INFORMATION

	2013	2012	2011	2010	2009
Total assets (RM'000)	2,991,905	1,769,144	1,586,102	1,618,702	1,656,676
Total net asset value ("NAV") (RM'000)	1,316,068	1,515,536	1,356,659	1,374,877	1,420,257
Units in circulation ('000)	1,324,389	1,324,389	1,178,889	1,178,889	1,178,889
NAV per Unit (RM)					
– as at 30 June (before income distribution)	1.068	1.221	1.216	1.231	1.274
– as at 30 June (after income distribution)	0.994	1.144	1.151	1.166	1.205
– Highest NAV during the year	1.143	1.151	1.166	1.205	1.205
– Lowest NAV during the year	0.994	1.128	1.151	1.166	0.972
Market value per Unit (RM)					
– as at 30 June	1.06	1.02	0.89	0.86	0.83
– Weighted average price for the year	1.08	0.90	0.87	0.86	0.80
– Highest traded price for the year	1.15	1.04	0.89	0.92	0.89
– Lowest traded price for the year	1.02	0.83	0.85	0.83	0.70

(III) PERFORMANCE DETAILS OF THE GROUP

	2013	2012	2011	2010	2009
Distribution per unit (sen)					
– Interim	3.5873	4.0112	3.2865	3.2865	3.4554
– Final	3.7930	3.6247	3.1990	3.1990	3.4567
	7.3803	7.6359	6.4855	6.4855	6.9121
Distribution date					
– Interim	28 February	28 February	25 February	25 February	26 February
– Final	30 August	28 August	25 August	24 August	24 August
Distribution yield (%) ⁽¹⁾	6.83	8.47	7.45	7.54	8.64
Management expense ratio (%)	0.97	0.36	0.26	0.70	0.31
Portfolio turnover ratio (times)	0.48	0.20	–	0.38	–
Total return (%) ⁽²⁾	26.83	11.92	8.61	15.04	(5.34)
Average total return ⁽³⁾					
– One year	26.83				
– Three years	15.79				
– Five years	11.41				

Notes:

1. Distribution yield is computed based on weighted average market price of the respective financial year.
2. Total return is computed based on the distribution yield per unit and the change in the weighted average market price of the respective financial year.
3. Average total return is computed based on total return per unit averaged over number of years.

Past performance is not necessarily indicative of future performance and unit prices and investment returns may fluctuate.

CHIEF EXECUTIVE OFFICER'S STATEMENT



On behalf of the Board of Directors of Pintar Projek Sdn Bhd (“Pintar Projek” or the “Manager”), I have the pleasure of presenting to you the Annual Report and audited financial statements of Starhill Real Estate Investment Trust (“Starhill REIT” or the “Trust”) and its subsidiaries (the “Group”) for the financial year ended 30 June 2013.

OVERVIEW

Following the successful completion of Starhill REIT’s repositioning exercise to transform the Trust into a pure-play hospitality REIT during the previous financial year, the 2013 financial year saw no loss in momentum with the acquisition of three Marriott properties in Australia, vastly expanding the Trust’s international portfolio to one of the largest of any Malaysian REIT, and increasing its asset size to just under RM3.0 billion.

The Trust’s acquisition of the Sydney Harbour, Brisbane and Melbourne Marriott hotels in Australia, completed in November 2012, presented a unique opportunity to acquire yield-accretive, fully operating and profitable assets in Australia’s major business and tourist destinations.

TAN SRI DATO’ (DR) FRANCIS YEOH SOCK PING, CBE, FICE
Chief Executive Officer

These acquisitions have diversified the Trust's revenue streams into stable, fixed, medium to long term lease income from its Malaysian and Japanese portfolio, which is insulated from cyclical and event-driven vagaries of the hospitality industry, as well as variable income from its Australian portfolio enabling the Trust to benefit from the potential upside generated from better performance of those assets.

The diversity of the portfolio and revenue structure of the various assets has been optimal in enabling the Trust to achieve a solid performance for the financial year under review.

FINANCIAL PERFORMANCE

The Group recorded revenue of RM292.02 million for the financial year ended 30 June 2013, an increase of 261% compared to RM80.86 million for the previous financial year ended 30 June 2012, and net property income of RM180.42 million this year, an increase of 139% over RM75.53 million last year. The better performance arose mainly from the recognition of revenue generated by the Group's Australian assets, as well as the first full year of lease rental income from the lease of the Trust's hospitality related properties in Malaysia and Japan.

Meanwhile, profit before tax decreased to RM56.24 million for the financial year under review, over RM107.26 million last year, mainly due to the absence of the one-off gain on the disposal by the Trust of convertible preference units issued by Starhill Global Real Estate Investment Trust in Singapore and related interest income of RM26.42 million recognised in the previous financial year ("Non-Recurring Income"). However, after adjusting for this Non-Recurring Income, profit before tax and depreciation for the year under review of RM101.30 million represented a 25% improvement compared to RM80.84 million last year.

Distribution to Unitholders

On 1 August 2013, the Board of Directors of Pintar Projek declared a final distribution of 3.7930 sen per unit in respect of the six months from 1 January 2013 to 30 June 2013, the payment date for which is 30 August 2013.

The final distribution, coupled with the interim distribution of 3.5873 sen per unit in respect of the six months ended 31 December 2012, represents a total distribution per unit ("DPU") of 7.3803 sen for the 2013 financial year, translating into a yield of 6.83%, based



Chief Executive Officer's Statement



on Starhill REIT's volume weighted average unit price of RM1.0798 per unit for the financial year ended 30 June 2013.

The current year DPU represents a 30.7% increase over the adjusted DPU of 5.6459 sen for the 2012 financial year, after adjusting for Non-Recurring Income which amounted to approximately 1.99 sen per unit of last year's total DPU of 7.6359 sen.

CORPORATE DEVELOPMENTS

On 14 June 2013, the Manager announced a proposed placement of new units in Starhill REIT, at a price to be determined at a later date, to raise gross proceeds of up to RM800 million and a proposed increase in Starhill REIT's existing approved fund size from 1.324 billion units to a maximum of 2.125 billion units. These proposals are intended to enable Starhill REIT to raise funds to partially repay its borrowings, which would give rise to interest savings and reduce its gearing level to provide the Trust with headroom to use debt financing in the future to undertake yield accretive acquisitions. Meanwhile, the enlarged capital base is expected to enhance the liquidity and marketability of Starhill REIT's units.

The Manager also announced the proposed increase in the Trust's borrowing limit to 60% of total asset value which is intended to provide Starhill REIT with the flexibility to fund large acquisition opportunities through borrowings in the future. This flexibility will be essential in situations where potential acquisitions are made through bidding or tender processes, as raising financing through borrowings may be more expedient as compared to equity fund raising via the issuance of new units.

PORTFOLIO REVIEW

Malaysian Portfolio

Following the completion of its acquisition of 8 hotel properties in November 2011, the Trust now has a well-balanced portfolio of hotel and hospitality-related assets across Malaysia, comprising five-star hotels and serviced residences, luxury resorts and business hotels, and continues to remain largely insulated from economic volatility through its fixed lease arrangements for the properties.

The Malaysian economy performed better than expected throughout 2012, recording gross domestic product (GDP) growth of 5.6% compared to 5.1% in 2011, and continuing to register similar

levels for the first half of the 2013 calendar year. Overall growth was driven by domestic demand, despite a weak external environment stemming from prolonged sovereign debt and banking sector problems in various major economies. The domestic tourism industry registered a marginal 1.3% growth in tourist arrivals to 24.71 million for the 2012 calendar year, with a 15.9% increase for the first quarter of 2013 over the same period last year. This remains broadly in line with worldwide trends where tourism demand continues to show resilience despite concerns over the global economy (*sources: Ministry of Finance, Bank Negara Malaysia, Tourism Malaysia, United Nations World Tourism Organisation updates*).

Starhill REIT's three prime properties in Kuala Lumpur's prestigious Golden Triangle district are the JW Marriott Hotel Kuala Lumpur, The Ritz-Carlton, Kuala Lumpur, and The Residences at The Ritz-Carlton, Kuala Lumpur. These properties have continued to perform well owing to their strategic locations within the city's vibrant business and tourism hub and close proximity to Starhill Gallery, which offers guests a multitude of fine dining options in its acclaimed Feast Village, as well as banquet and conference facilities from



the Carlton Conference Centre. These properties operate cohesively to offer guests exceptional access to fine dining and an exclusive, high-end retail environment, in addition to top-quality spa and conference facilities.

Within the Trust's portfolio of luxury resorts, the range of services and experiences has been differentiated to cater to increasing demand from affluent customers from Europe, the Americas and the Asia-Pacific rim. Pangkor Laut Resort, on the west coast of the Peninsular, and Tanjong Jara Resort, on the east coast, feature pristine beaches and marine ecosystems, whilst Cameron Highlands Resort, situated at approximately 1,500 metres above sea level in the acclaimed hill retreat and holiday destination of Cameron Highlands, offers a more temperate climate and environment. Each resort also incorporates the award-winning Spa Village concept with treatments uniquely tailored to the local culture and natural resources of the region, which continue to serve as a key feature in attracting guests.

The third component of the Trust's Malaysian portfolio is the Vistana chain of hotels which operates business hotels in Kuala Lumpur, Penang and Kuantan, each of which is situated to grant easy

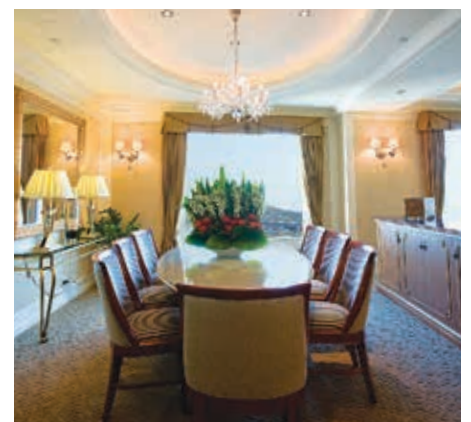
access to the city's major business centres and is designed to cater to both local and international business travellers.

The composition of the Malaysian portfolio has enabled the Trust to continue to achieve stable, well-balanced earnings from diversified locations across the country and product offerings catering to a wide range of customers.

International Portfolio – Japan

Starhill REIT completed its acquisition of Hilton Niseko in Hokkaido, Japan, in December 2011, as part of its repositioning exercise, marking the Trust's first international property.

The Japanese economy registered moderate growth of about 1.9% throughout the 2012 calendar year, picking up slightly during first half of 2013. The number of foreign tourists has continued to recover from the effects of the 2011 earthquake, increasing by 34.6% to 8.4 million for the 2012 calendar year, although not quite reaching pre-earthquake levels of 8.61 million (*sources: Bank of Japan, Japan Tourism Agency, Japan National Tourism Organization*).



Chief Executive Officer's Statement

Hilton Niseko continues to benefit from its positioning as one of Asia's most well-rounded winter and summer resort destinations, primarily targeting high income individual travellers and groups from both Japan and overseas. The hotel is a cornerstone of Niseko Village, a prime winter and summer destination in Hokkaido, set at the foot of the Niseko Annupuri Mountain with scenic views of Mountain Yotei, a landmark dormant volcano, and featuring two 18-hole golf courses, 155 hectares of ski mountains and trails, natural hot springs and ample leisure amenities.

International Portfolio – Australia

As reported last year, the Trust entered into agreements on 13 June 2012 via its indirect wholly-owned subsidiaries and trusts to acquire the hotel properties and business assets of the Sydney Harbour Marriott, Brisbane Marriott and Melbourne Marriott for a total cash consideration of A\$415 million (approximately RM1.2 billion). The three Marriott hotels are operated by the Marriott International, Inc. group, a leading worldwide operator and franchisor of hotels. Starhill REIT completed its acquisition of the three hotels on 29 November 2012.

The Australian economy continued to grow for the first half of the 2013 calendar year, albeit at a slower pace than the 3.1% growth recorded in 2012, as the slowdown in the Chinese economy impacted the country's mining industry. In the Australian hospitality industry, supply remained relatively flat as uncertainty in global economic markets has created caution in building new products in many markets. The current two-speed economy of mining and the rest of Australia also contributed to demand and supply issues, with cities such as Perth and Brisbane prospering during the mining investment boom whilst the economies of Melbourne and

Sydney grew at slower rates. Over the past year, however, the stumbling of the mining boom resulting in the cancellation, delay or reassessment of large numbers of mining projects, has affected demand for hotel accommodation in Perth and Brisbane, whilst demand in Sydney and Melbourne has remained relatively stable and continues to show signs of growing (*sources: Reserve Bank of Australia, Australian Bureau of Statistics, Tourism Research Australia, Australian Bureau of Resources & Energy Economics updates*).

Starhill REIT's Australian assets benefit from excellent positioning, in terms of both location and product offerings. Each property is situated within the central business district (CBD) of its city and ideally positioned to serve both business and leisure travellers alike. The Sydney Harbour Marriott is a 5-star, 563-room hotel set in the heart of Circular Quay, overlooking iconic landmarks including Harbour Bridge and the Sydney Opera House. The 186-room Melbourne Marriott is located close to the city's theatre precinct and within minutes of the Bourke and Collins street shopping districts, Chinatown, the Melbourne Museum and the Royal Exhibition Building. Similarly well-located, the Brisbane Marriott, which consists of 263 rooms and 4 suites, is situated between Brisbane's CBD and the Fortitude Valley hub, close to shopping, riverside dining, and the city's corporate and cultural locales.

All three properties achieved strong occupancy levels of 84.3% at the Sydney Harbour Marriott, 85.3% at the Melbourne Marriott and 73.9% at the Brisbane Marriott, during the period from the Trust's acquisition of the hotels to the end of the financial year under review. Starhill REIT is afforded the benefit of a variable source of income from the operation of its hotel assets in Australia thereby providing the Trust's portfolio with a good mix of fixed and variable income.

CORPORATE SOCIAL RESPONSIBILITY

Social responsibility is one of the Manager's key values and Pintar Projek places a high priority on acting responsibly in every aspect of its business. The Manager is also part of the wider network of its parent company, YTL Corporation Berhad, which has a long-standing commitment to creating successful, profitable and sustainable businesses. This in turn benefits the surrounding community through the creation of sustained value for unitholders, secure and stable jobs for employees, support for the arts and culture in Malaysia and contributions to promote education for the benefit of future generations.

The Manager believes that effective corporate responsibility can deliver benefits to its businesses and, in turn, to its unitholders, by enhancing reputation and business trust, risk management performance, relationships with regulators, staff motivation and attraction of talent, customer preference and loyalty, the goodwill of local communities and long-term unitholder value. The Manager's Statement on Corporate Governance, which also elaborates on Pintar Projek's systems and controls, can be found as a separate section in this Annual Report.



OUTLOOK

The Malaysian economy is expected to remain on its current trajectory, with growth estimated at 5-6% for the full 2013 calendar year. Economic activity will be anchored by the continued resilience of domestic demand, and supported by a gradual improvement in external demand, although slower growth in Malaysia's major trading partners would affect the domestic economy, with likely knock-on effects on the tourism and hospitality sector (sources: *Malaysian Ministry of Finance, Bank Negara Malaysia updates*).

Meanwhile, the recent tempering of the Australian dollar may increase the attractiveness of Australia as a tourist destination for international travellers whilst discouraging outbound leisure demand. Japan is also expected to continue to record moderate growth on the back of resilient domestic demand and internal stimulus measures, although the high degree of uncertainty over the outlook for the global economy continues to weigh on growth prospects. However,

the Asia-Pacific region's tourism sector has been the best performer in terms of growth, boosted by the implementation of policies that foster intraregional cooperation and coordination in tourism in South-East Asia and also due to the recovery of inbound and outbound tourism in Japan, and the outlook remains positive (sources: *Tourism Research Australia, Bank of Japan, United Nations World Tourism Organisation updates*).

The development of Starhill REIT's portfolio over the past 2 years has greatly expanded both the domestic and international scale of the Trust's operations. The addition of the Marriott hotels has allowed Starhill REIT to participate in Australia's vibrant real estate market, whilst the Hilton Niseko provides valuable exposure to the Japanese high-end leisure market. Going forward, Starhill REIT will continue to explore yield-accretive geographical diversification of the Trust's asset base to further develop Starhill REIT's footprint in the high-end international and domestic hospitality markets.

As the Manager embarks on another year and remains focused on developing and improving the Trust's assets and earnings growth, the Board of Directors of Pintar Projek would like to thank Starhill REIT's investors, customers, business associates and the regulatory authorities for their continued support.

TAN SRI DATO' (DR) FRANCIS

YEOH SOCK PING

PSM, CBE, FICE, SIMP, DPMS, DPMP, JMN, JP

28 August 2013

PROPERTY PORTFOLIO

Overview



ABOUT STARHILL REIT

Starhill Real Estate Investment Trust ("Starhill REIT") has a market capitalisation of approximately RM1,398 million (as at 30 June 2013) and comprises prime hotel and hospitality-related properties. The Trust's portfolio in Malaysia consists of the JW Marriott Hotel Kuala Lumpur, The Ritz-Carlton, Kuala Lumpur, The Residences at The Ritz-Carlton, Kuala Lumpur, the Pangkor Laut, Tanjung Jara and Cameron Highlands resorts and the Vistana chain of hotels in Kuala Lumpur, Penang and Kuantan. Starhill REIT's international portfolio comprises Hilton Niseko in Japan and the Sydney Harbour, Brisbane and Melbourne Marriott hotels in Australia.





Listed on 16 December 2005 on the Main Market of Bursa Malaysia Securities Berhad, Starhill REIT's primary objectives are to provide unitholders with stable cash distributions with the potential for sustainable growth, principally from the ownership of properties, and to enhance long-term unit value.

Starhill REIT was established by a trust deed entered into on 18 November 2005 between Pintar Projek Sdn Bhd ("Pintar Projek") and Maybank Trustees Berhad, as manager and trustee, respectively, of Starhill REIT.

Starhill REIT's principal investment objective is to own and invest in real estate and real estate-related assets, whether directly or indirectly through the ownership of single-purpose companies whose principal assets comprise real estate. In December 2011, the repositioning of Starhill REIT as a full-fledged hospitality REIT was completed, providing the platform for the Trust to focus on a single, dedicated class of hotel and hospitality-related assets, both in Malaysia and internationally.

The composition of Starhill REIT's investment portfolio as at 30 June 2013 is as follows:-

	RM'000	%
Real Estate – Commercial		
• JW Marriott Hotel Kuala Lumpur	349,700	12
• The Residences at The Ritz-Carlton, Kuala Lumpur	223,881	8
• The Ritz-Carlton, Kuala Lumpur	253,017	9
• Vistana Penang	101,778	3
• Vistana Kuala Lumpur	101,207	3
• Vistana Kuantan	75,980	3
• Pangkor Laut Resort	98,365	3
• Tanjong Jara Resort	88,050	3
• Cameron Highlands Resort	50,649	2
• Hilton Niseko	205,912	7
• Sydney Harbour Marriott	756,024	26
• Brisbane Marriott	346,581	12
• Melbourne Marriott	161,012	5
	2,812,156	96
Deposits with licensed financial institution	107,370	4
Total	2,919,526	100

ABOUT THE MANAGER

Pintar Projek was incorporated in 1994 and is a 70%-owned subsidiary of YTL Land Sdn Bhd, which is a wholly-owned subsidiary of YTL Corporation Berhad. Pintar Projek's Board of Directors and key personnel comprise experienced and prominent individuals in their respective fields of expertise.

The Ritz-Carlton, Kuala Lumpur



Address/Location	168, Jalan Imbi and Jalan Yap Tai Chi, 55100 Kuala Lumpur.
Description	22-storey hotel building comprising 251 rooms with 4-storey basement car park.
Property type	Hotel
Age	Approximately 19 years
Title details	Geran 26579, Lot No 225, Seksyen 67, Town and District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur.
Encumbrances/Limitation in title/ interest	The property is charged to a financial institution to secure a term loan facility of RM1,581 million and there is no restriction and/or condition attached to the title.
Status of holdings	Freehold
Existing use	Commercial building
Parking spaces	153 bays
Lessee	East-West Ventures Sdn. Bhd.
Lease term	The property is leased for a term expiring on 14 November 2026.
Date of acquisition	15 November 2011
Cost of acquisition	RM250,000,000
Market value	RM250,000,000
Date of last valuation	26 May 2011
Independent valuer	Raine & Horne International Zaki + Partners Sdn. Bhd.
Net book value	RM253,017,000

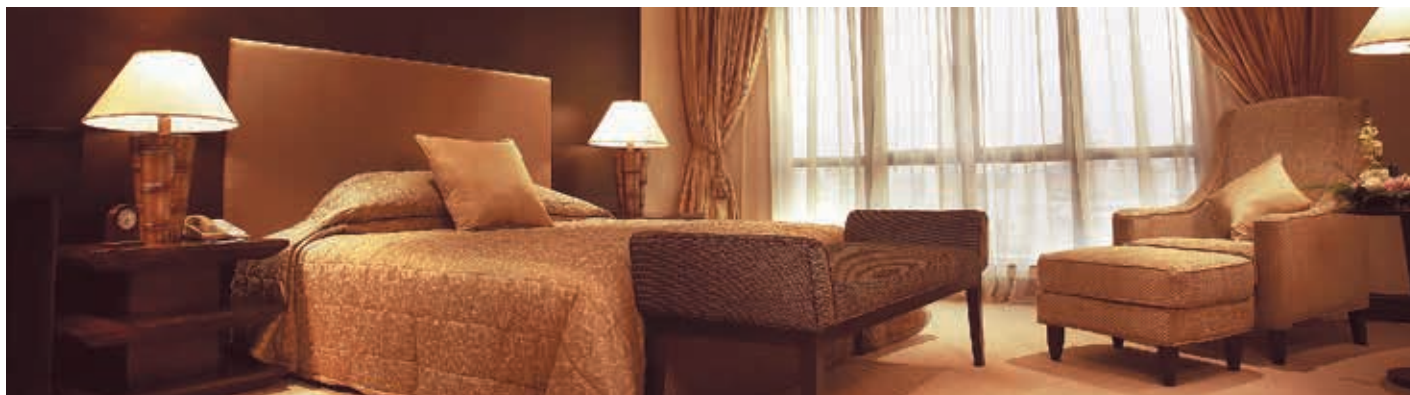


The Residences at The Ritz-Carlton, Kuala Lumpur (Parcel 1)



Address/Location	Lot 1308, Jalan Yap Tai Chi, Seksyen 67, Off Jalan Imbi, 55100 Kuala Lumpur.
Description	60 units of serviced apartments, 4 levels of commercial podium, 1 level of facilities deck and 2 levels of basement car park.
Property type	Serviced apartment
Age	Approximately 8 years
Title details	Geran 47693, Lot No. 1308 Seksyen 67, Bandar Kuala Lumpur, District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur.
Encumbrances/Limitation in title/ interest	The property is charged to a financial institution to secure a term loan facility of RM1,581 million and there is no restriction and/or condition attached to the title.
Status of holdings	Freehold
Existing use	Commercial building
Parking spaces	137 bays
Lessee	Star Hill Hotel Sdn. Bhd.
Lease term	The property is leased for a term expiring on 30 June 2031.
Date of acquisition	16 May 2007
Cost of acquisition	RM125,000,000
Market value	RM150,000,000
Date of last valuation	8 June 2012
Independent valuer	Azmi & Co Sdn. Bhd.
Net book value	RM150,000,000

The Residences at The Ritz-Carlton, Kuala Lumpur (Parcel 2)



Address/Location	Lot 1308, Jalan Yap Tai Chi, Seksyen 67, Off Jalan Imbi, 55100 Kuala Lumpur.
Description	50 units of serviced apartment and 4 units of penthouses including 1 level of basement car park.
Property type	Serviced apartment
Age	Approximately 8 years
Title details	Geran 47693, Lot No. 1308 Seksyen 67, Bandar Kuala Lumpur, District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur.
Encumbrances/Limitation in title/ interest	The property is charged to a financial institution to secure a term loan facility of RM1,581 million and there is no restriction and/or condition attached to the title.
Status of holdings	Freehold
Existing use	Commercial building
Parking spaces	52 bays
Lessee	Star Hill Hotel Sdn. Bhd.
Lease term	The property is leased for a term expiring on 30 June 2031.
Date of acquisition	15 November 2011
Cost of acquisition	RM73,000,000
Market value	RM73,500,000
Date of last valuation	26 May 2011
Independent valuer	Raine & Horne International Zaki + Partners Sdn. Bhd.
Net book value	RM73,881,000

JW Marriott Hotel Kuala Lumpur



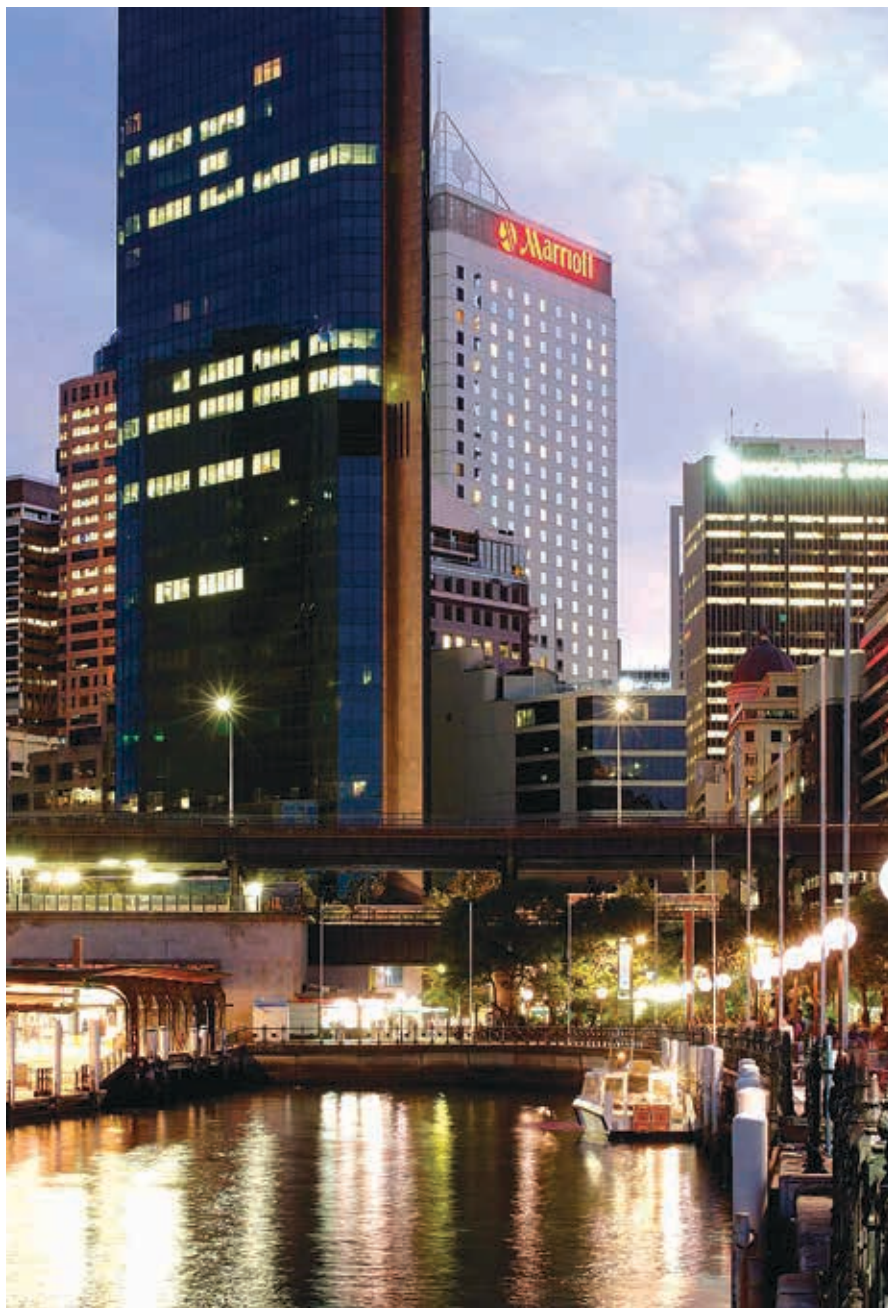
Address/Location	183, Jalan Bukit Bintang, 55100 Kuala Lumpur.
Description	A 5 star hotel with 561 rooms located on part of a 8-level podium block and the entire 24-level tower block of Starhill Gallery together with car park bays located partially at basement 1 and 4 and the entire basement 2, 3 and 5 of JW Marriott Hotel Kuala Lumpur.
Property type	Hotel
Age	Approximately 16 years
Title details	Grant No. 28678 for Lot No. 1267 Section 67, Town and District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur.
Encumbrances/Limitation in title/ interest	The property is charged to a financial institution to secure a term loan facility of RM1,581 million and there is no restriction and/or condition attached to the title.
Status of holdings	Freehold
Existing use	Commercial building
Parking spaces	490 bays
Lessee	Star Hill Hotel Sdn. Bhd.
Car park operator	YTL Land Sdn. Bhd.
Lease term	The property is leased for a term expiring on 31 December 2023.
Date of acquisition	16 December 2005
Cost of acquisition	RM331,024,096
Market value	RM349,700,000
Date of last valuation	1 March 2011
Independent valuer	Raine & Horne International Zaki + Partners Sdn. Bhd.
Net book value	RM349,700,000



Sydney Harbour Marriott



Description	33-storey hotel building with central atrium comprising 563 rooms including 3 levels of basement with car parking bays.
Address/Location	30 Pitt Street, Sydney, New South Wales.
Property type	Hotel
Age	Approximately 24 years
Title details	Folio Identifier 1/804285 being lot 1 in deposited plan 804285 in the local government area of Sydney, Parish of St James, County of Cumberland.
Encumbrances/Limitation in title/ interest	The property is charged to a financial institution to secure a term loan facility of RM1,581 million and there is no restriction and/or condition attached to the title.
Status of holdings	Freehold
Existing use	Commercial building
Parking spaces	Approximately 45 bays
Average occupancy rate	84.30% (since date of acquisition)
Date of acquisition	29 November 2012
Cost of acquisition	AUD249,000,000
Market value	AUD249,000,000
Date of last valuation	1 June 2012
Independent valuer	Colliers International Consultancy and Valuation Pty Limited
Vendors	(i) Commonwealth Managed Investments Limited as trustee for Commonwealth Property Hotel Fund; and (ii) 30 Pitt Street Pty Limited
Net book value	RM756,024,000



Brisbane Marriott



Description	28-storey hotel building comprising 267 rooms with 3 levels of basement car park.
Address/Location	515 Queen Street, Brisbane, Queensland.
Property type	Hotel
Age	Approximately 15 years
Title details	Lot 5 in survey plan 100339 comprised in certificate of title Reference 50218402.
Encumbrances/Limitation in title/ interest	The property is charged to a financial institution to secure a term loan facility of RM1,581 million and there is no restriction and/or condition attached to the title.
Status of holdings	Freehold
Existing use	Commercial building
Parking spaces	78 bays
Average occupancy rate	73.90% (since date of acquisition)
Date of acquisition	29 November 2012
Cost of acquisition	AUD113,000,000
Market value	AUD113,000,000
Date of last valuation	1 June 2012
Independent valuer	Colliers International Consultancy and Valuation Pty Limited
Vendors	(i) Commonwealth Managed Investments Limited as trustee for Commonwealth Property Hotel Fund; and (ii) 515 Queen Pty Limited
Net book value	RM346,581,000



Property Portfolio

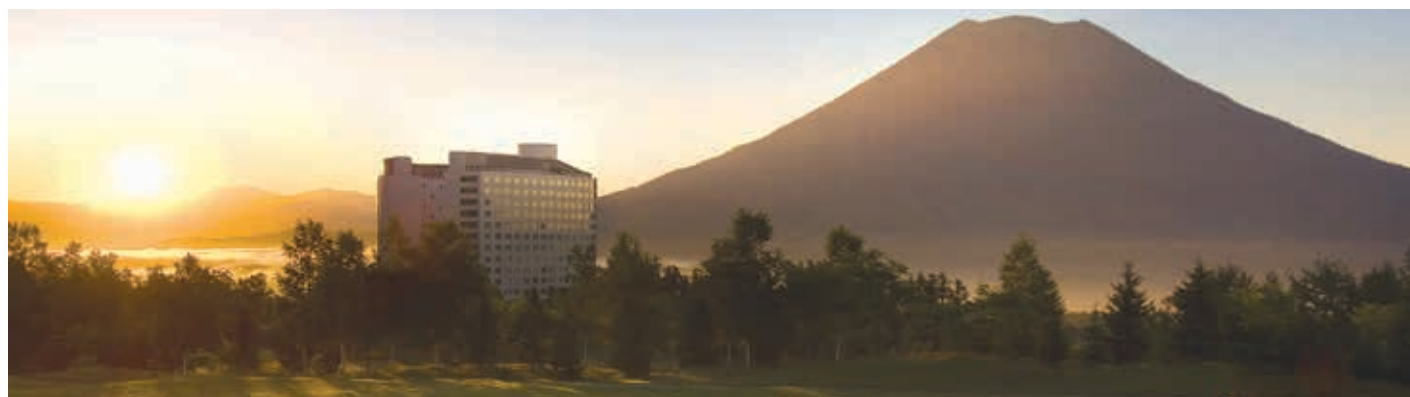
Melbourne Marriott



Description	16-storey hotel building comprising 186 rooms with 5 split levels of car park.
Address/Location	Corner Exhibition and Lonsdale Streets, Melbourne, Victoria.
Property type	Hotel
Age	Approximately 31 years
Title details	The land is contained in two titles as follows: (i) a freehold title more particularly described in Certificate of title Volume 10323 Folio 372; and (ii) a freehold strata title more particularly described in Certificate of title Volume 10323 Folio 375.
Encumbrances/Limitation in title/ interest	The property is charged to a financial institution to secure a term loan facility of RM1,581 million and there is no restriction and/or condition attached to the title.
Status of holdings	Freehold
Existing use	Commercial building
Parking spaces	Approximately 80 bays
Average occupancy rate	85.30% (since date of acquisition)
Date of acquisition	29 November 2012
Cost of acquisition	AUD53,000,000
Market value	AUD53,000,000
Date of last valuation	1 June 2012
Independent valuer	Colliers International Consultancy and Valuation Pty Limited
Vendors	(i) Commonwealth Managed Investments Limited as trustee for Commonwealth Property Hotel Fund; and (ii) Lonex Pty Limited
Net book value	RM161,012,000



Hilton Niseko



Address/Location	Higashiyama-Onsen, Niseko-town, Abuta-gun, Hokkaido.
Description	16-storey hotel building with 1-storey of basement comprising 506 rooms.
Property type	Hotel
Age	Approximately 19 years
Title details	Title No. 919-15, 919-18 and 919-19 Aza-Soga, Niseko-cho, Abuta-gun, 920-4, 920-5 and 920-7, Aza-Soga, Niseko-cho, Abuta-gun and 214-6, 252-2 and 264-4, Aza-Kabayama, Kutchan-cho, Abuta-gun, Hokkaido, Japan.
Encumbrances/Limitation in title/ interest	The property is charged to a financial institution to secure a term loan facility of RM1,581 million and there is no restriction and/or condition attached to the title.
Status of holdings	Freehold
Existing use	Commercial building
Parking spaces	290 bays
Lessee	Niseko Village K.K.
Lease term	The property is leased for a term expiring on 21 December 2026.
Date of acquisition	22 December 2011
Cost of acquisition	JPY6,000,000,000
Market value	JPY6,060,000,000
Date of last valuation	26 May 2011
Independent valuer	Savills Japan Co., Ltd.
Net book value	RM205,912,000



Property Portfolio

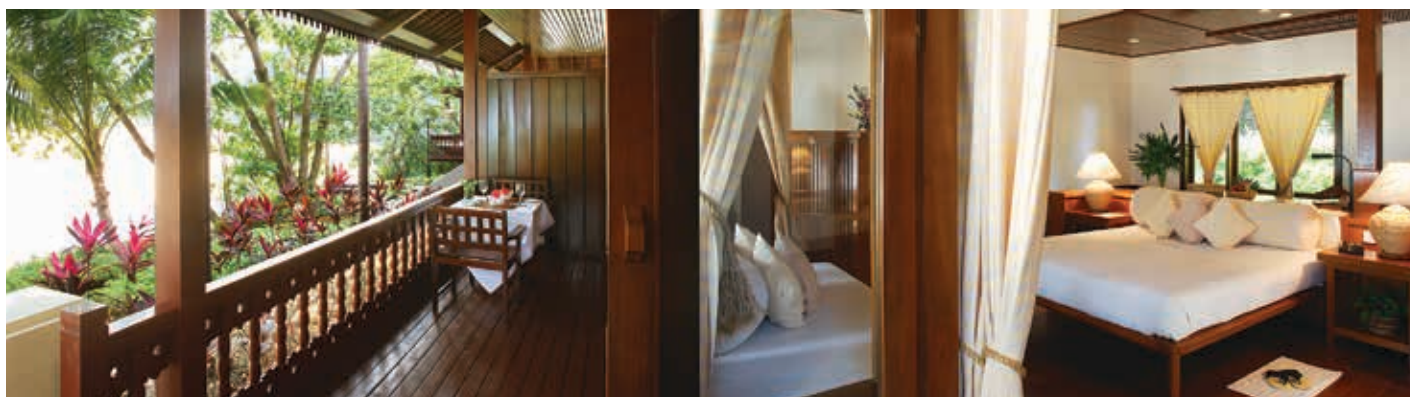
Pangkor Laut Resort



Address/Location	Pangkor Laut, 32200 Lumut, Perak Darul Ridzuan.
Description	36 units of Garden Villas, 52 units of Hill Villas, 8 units of Beach Villas and 1 unit of Pavarotti Suite.
Property type	Resort
Age	Approximately 20 years.
Title details	PN 313713, Lot 12362 and PN 313715, Lot 12364, both in Mukim Lumut, District of Manjung, State of Perak Darul Ridzuan.
Encumbrances/Limitation in title/ interest	The property is charged to a financial institution to secure a term loan facility of RM1,581 million and there is no restriction and/or condition attached to the title.
Status of holdings	99 years registered lease expiring 21 May 2095 obtained from Perbadanan Kemajuan Negeri Perak.
Existing use	Commercial building
Parking spaces	Not applicable
Lessee	Syarikat Pelancongan Pangkor Laut Sendirian Berhad.
Lease term	The property is leased for a term expiring on 14 November 2026.
Date of acquisition	15 November 2011
Cost of acquisition	RM97,000,000
Market value	RM97,000,000
Date of last valuation	26 May 2011
Independent valuer	Raine & Horne International Zaki + Partners Sdn. Bhd.
Net book value	RM98,365,000



Tanjong Jara Resort



Address/Location	Batu 8, Off Jalan Dungun, 23000 Dungun, Terengganu.
Description	Small luxury boutique hotel with 99 rooms.
Property type	Hotel
Age	Approximately 18 years
Title details	PN 8659, Lot 5635, Mukim of Kuala Dungun, State of Terengganu.
Encumbrances/Limitation in title/ interest	The property is charged to a financial institution to secure a term loan facility of RM1,581 million and there is no restriction and/or condition attached to the title.
Status of holdings	60 years leasehold expiring on 4 December 2067.
Existing use	Commercial building
Parking spaces	50 bays
Lessee	Tanjong Jara Beach Hotel Sdn. Bhd.
Lease term	The property is leased for a term expiring on 14 November 2026.
Date of acquisition	15 November 2011
Cost of acquisition	RM87,000,000
Market value	RM100,000,000
Date of last valuation	27 June 2011
Independent valuer	Raine & Horne International Zaki + Partners Sdn. Bhd.
Net book value	RM88,050,000



Cameron Highlands Resort



Address/Location	By the Golf Course, 39000 Tanah Rata, Cameron Highlands, Pahang Darul Makmur.
Description	3-storey luxury resort with a 2-storey spa village block with 56 rooms and suites and a single storey building.
Property type	Resort
Age	Approximately 39 years
Title details	PT No. 1812, H.S. (D) 3881, Mukim of Tanah Rata, District of Cameron Highlands, State of Pahang.
Encumbrances/Limitation in title/ interest	The property is charged to a financial institution to secure a term loan facility of RM1,581 million and there is no restriction and/or condition attached to the title.
Status of holdings	99 years leasehold expiring on 9 December 2108.
Existing use	Commercial building
Parking spaces	19 bays
Lessee	Cameron Highlands Resort Sdn. Bhd.
Lease term	The property is leased for a term expiring on 14 November 2026.
Date of acquisition	15 November 2011
Cost of acquisition	RM50,000,000
Market value	RM50,000,000
Date of last valuation	26 May 2011
Independent valuer	Raine & Horne International Zaki + Partners Sdn. Bhd.
Net book value	RM50,649,000



Vistana Kuala Lumpur



Address/Location	No. 9, Jalan Lumut, Off Jalan Ipoh, 50400 Kuala Lumpur.
Description	17-storey hotel building with 364 rooms and 2-storey basement car park.
Property type	Hotel
Age	Approximately 18 years
Title details	Geran 33550, Lot No 669, Town and District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur
Encumbrances/Limitation in title/ interest	The property is charged to a financial institution to secure a term loan facility of RM1,581 million and there is no restriction and/or condition attached to the title.
Status of holdings	Freehold
Existing use	Commercial building
Parking spaces	125 bays
Lessee	Prisma Tulin Sdn. Bhd.
Lease term	The property is leased for a term expiring on 14 November 2026.
Date of acquisition	15 November 2011
Cost of acquisition	RM100,000,000
Market value	RM100,000,000
Date of last valuation	26 May 2011
Independent valuer	Raine & Horne International Zaki + Partners Sdn. Bhd.
Net book value	RM101,207,000



Vistana Penang



Address/Location	No. 213, Jalan Bukit Gambir, Bukit Jambul, 11950 Pulau Pinang.
Description	3-storey podium, 2-storey basement car park, 17-storey Tower A with 238 hotel rooms and 26-storey Tower B with 189 hotel suites.
Property type	Hotel
Age	Approximately 14 years
Title details	H.S (D) 9632, Lot No P.T. 1678, Mukim 13, District of Timor Laut, State of Pulau Pinang.
Encumbrances/Limitation in title/ interest	The property is charged to a financial institution to secure a term loan facility of RM1,581 million and there is no restriction and/or condition attached to the title.
Status of holdings	99 years leasehold expiring on 27 October 2094.
Existing use	Commercial building
Parking spaces	359 bays
Lessee	Business & Budget Hotels (Penang) Sdn. Bhd.
Lease term	The property is leased for a term expiring on 14 November 2026.
Date of acquisition	15 November 2011
Cost of acquisition	RM100,000,000
Market value	RM100,000,000
Date of last valuation	26 May 2011
Independent valuer	Raine & Horne International Zaki + Partners Sdn. Bhd.
Net book value	RM101,778,000

Vistana Kuantan



Address/Location	Jalan Teluk Sisek, 25000 Kuantan, Pahang.
Description	8-storey hotel building with 215 rooms.
Property type	Hotel
Age	Approximately 19 years
Title details	Lot No 714, Section 37, Town and District of Kuantan, Pahang.
Encumbrances/Limitation in title/ interest	The property is charged to a financial institution to secure a term loan facility of RM1,581 million and there is no restriction and/or condition attached to the title.
Status of holdings	99 years leasehold expiring on 11 July 2092.
Existing use	Commercial building
Parking spaces	149 bays
Lessee	Business & Budget Hotels (Kuantan) Sdn. Bhd.
Lease term	The property is leased for a term expiring on 14 November 2026.
Date of acquisition	15 November 2011
Cost of acquisition	RM75,000,000
Market value	RM75,000,000
Date of last valuation	26 May 2011
Independent valuer	Raine & Horne International Zaki + Partners Sdn. Bhd.
Net book value	RM75,980,000

REVIEW OF THE PROPERTY MARKET

At the end of the financial year ended 30 June 2013, Starhill REIT Group (“Group”) expanded its portfolio with the acquisition of Sydney Harbour Marriott Hotel, Brisbane Marriott Hotel and Melbourne Marriott Hotel in Australia, bringing the total investment portfolio to 13. The investment portfolio now comprises the JW Marriott Hotel Kuala Lumpur, The Residences at Ritz-Carlton Kuala Lumpur, The Ritz-Carlton Kuala Lumpur, part of Pangkor Laut Resort, Tanjong Jara Resort, Cameron Highlands Resort, Vistana Kuala Lumpur, Vistana Penang, Vistana Kuantan, Hilton Niseko, Japan, Sydney Harbour Marriott Hotel, Brisbane Marriott Hotel and Melbourne Marriott Hotel.

THE MALAYSIAN ECONOMY AND HOTEL MARKET

In 2012, as the global economic growth moderated amid a more challenging environment compared to 2011, the Malaysian economy performed at better than expected growth of 5.6% as compared with 5.1% in 2011. The strong economic growth was driven by resilient domestic demand, which cushioned the negative impact from the weak external environment.¹

Malaysia’s inflation based on the Consumer Price Index, averaged 1.6% in 2012 compared to 3.2% in 2011, while the Ringgit Malaysia ended the year at RM3.0583 against the US Dollar, thus recording a year-on-year appreciation of 3.9%.¹

In 2012, tourist arrivals increased 1.3% as opposed to 0.6% in 2011, from 24.71 million to 25.03 million and the tourist receipts for 2012 also recorded growth of about 4%, from RM58.3 billion in 2011 to RM60.6 billion in 2012. The Average Occupancy Rate (“AOR”) for Kuala Lumpur, Penang and Pahang has improved to 69.3%, 64.0% and 81.8% in 2012 from 68.6%, 63.5% and 79.1% in 2011, respectively.²

As of December 2012, the total hotel rooms in Klang Valley stood at 41,491 of which 30,144 rooms or 72.65% are located within Kuala Lumpur and the

remaining 27.35% (11,347 rooms) are located outside the city limits.³

According to Zerin Properties, the average room rate (“ARR”) for 5-star hotels in Klang Valley was at RM346 in 2H2012, slightly higher than RM344 that was recorded in 1H2012 and 2H2011. Meanwhile, the ARR during 2H2012 for 4-star hotels was at RM237, increased from RM224 in 1H 2012 and RM226 in 2H 2011.³

THE JAPANESE ECONOMY AND HOTEL MARKET

In 2012, Japanese economy expanded with a GDP of 1.9% as compared to -0.6% in the previous year, showing a strong recovery following the March 2011 earthquake and a period of depressed domestic economic growth.⁴

The tourism industry made good progress in its recovery, evidenced by the latest statistics from the Japan National Tourism Organisation (“JNTO”) which recorded approximately 8.4 million international visitor arrivals in 2012 or a 34.6% increase as compared to 2011.⁵

In 2012, international visitor arrivals recovered to levels prior to the earthquake. Although inbound tourism in the first half of 2012 was affected by the negative impact of the earthquake, radiation concerns and the appreciation of Japanese Yen, visitor arrivals showed an improvement in the second half of the year, contributed predominantly by travellers from Asian countries. Accommodation guests (international and domestic) achieved an approximate count of 356.3 million, representing an increase of 5.0% as compared to -2.7% in 2011. The number of accommodation guests between the periods of April to December 2012 exceeded the levels of that same period in 2011 and 2010.⁶

THE AUSTRALIAN ECONOMY AND HOTEL MARKET

In 2012, most large economies were continuing to underperform, while Australia remained robust. According to the Australian Bureau of Statistics data,

on a seasonally adjusted year-on-year basis, the economy grew with a GDP of 3.1% in 2012 as compared to 2.3% in 2011.⁷

It was noted in the Tourism Research Australia (“TRA”) Quarterly Issue 2 December 2012 that visitor arrivals rose 5.0% to reach 6.1 million in 2012. International visitor expenditure increased by 4.0% (or by AUD1.1 billion) to AUD27.5 billion in 2012 (compared to 2011), largely due to the strong growth in visitation from China which provided around half of the AUD1.1 billion increase in total international visitor expenditure. The number of rooms in large-scale tourist accommodation establishments increased by 2,700 in 2012 (compared to 2011) while accommodation takings rose 5.1% to AUD9.0 billion in 2012 (compared to 2011), with increases in yields per available rooms in all states.⁸

OUTLOOK FOR 2013

According to the Global Economic Prospects, World Bank Report, the global economy appears to be transitioning toward a period of more stable but slower growth. Global GDP which slowed in mid-2012 is recovering and a modest acceleration in quarterly GDP is expected during the course of 2013. Overall forecast for 2013, the world economy will face lower but less volatile growth in the coming months and years. Global GDP is expected to expand about 2.2% in 2013 and strengthen to 3.0% and 3.3% in 2014 and 2015.⁹

The Bank Negara 2012 Annual Report also states that financial and policy risks have receded compared to the situation over the recent two years. Policy measures introduced in the latter half of 2012 have reduced policy uncertainties and stress in the financial markets.¹

Malaysia

The Malaysian economy is expected to remain on a steady growth path with an expansion of 5-6% in 2013. Economic activity will be anchored by the continued resilience of domestic demand, and supported by a gradual improvement in the external sector.¹

Domestic demand, which recorded the highest rate of expansion over the recent decade in 2012, is expected to remain the key driver of growth in 2013, albeit at a more moderate pace. Growth in public and private investment is expected to remain strong, following the exceptional growth in capital spending in 2012. The implementation of major infrastructure projects under the Economic Transformation Programme (ETP), such as in public transportation, airports, ports and telecommunication, is also expected to indirectly enhance the productive capacity of the economy through improving connectivity, both within Malaysia and with the rest of the world.¹

The Government has allocated RM358 million to “Visit Malaysia Year 2013/2014” under the development expenditure, an increase of 42%, to target 26.8 million tourist arrivals. In promoting Malaysia as a fascinating destination for both local and foreign tourists, the tour operators are given tax incentives for 3 years from year of assessment 2013 until 2015, including 100% tax exemption for tour operators who bring in at least 750 foreign tourists or handle 1,500 local tourists a year.²

Japan

The Japanese Cabinet Office recently raised its fiscal 2013 domestic economic growth from 2.5% to 2.8%, attributing it to the positive effects of Prime Minister Shinzo Abe’s economic policies, centering on drastic monetary easing and massive fiscal spending, have boosted consumer spending, increased investors’ confidence and average wage, local media reported.

The government has drafted a plan to triple the annual number of foreign visitors to Japan to approximately 30 million in 2030 through ramping up more promotional activities. If the target is achieved, they estimate the spending of foreign visitors to increase up to ¥4.7 trillion in 2030 from ¥1.3 trillion in 2010, when total overseas arrivals reached 8.61 million.¹¹

According to the JNTO figures released in June 2013, the number of tourists from Southeast Asia between the months of January to May 2013, was 437,500.

This recorded a rise of 36% over the same period in 2012. Japan set a goal of increasing the number of visitors from Southeast Asia to 1 million by end of 2013, from about 780,000 in 2012. Japan also aims to attract more Muslim visitors from Southeast Asia.¹²

Australia

The Australian and state governments continue to support the tourism industry. Various measures include implementing the Tourism 2020 Strategy project, investing tens of millions of dollars in T-QUAL Grants – Tourism Quality Projects programme, collaboration with foreign agencies in major markets and increasing the capacity of flights into Australia.¹³

Tourism Australia signed an agreement of three (3) years with China Travel Service in promoting travel Down Under to its rapidly growing middle classes, mainly those living in ‘secondary cities’. Both collaborate in marketing initiatives (brand promotion, digital marketing, PR, famils, theme stores and direct mail campaigns) and business, as well as industry development opportunities.¹⁴ China, which is Australia’s fastest growing and highest inbound market, recorded 680 000 visitors in the year ending May 2013, a 17.6% increase on the previous year to May. Chinese visitors spent AUD4.6 billion in the year ending March 2013, with the Tourism 2020 Strategy anticipating the market to be worth more than AUD9 billion by 2020.¹⁵

Furthermore, Tourism Australia together with New Zealand’s national carrier Air New Zealand have signed an MOU (Memorandum of Understanding) for the investment of AUD6 million in marketing activity in promoting tourism to Australia.¹⁶

Australia’s ranking as one of the world’s leading tourism destinations increased from 13th in 2011 to 11th in 2013.¹⁹ During the year ended 31 March 2013, there were 5,766,005 visitors to Australia, an increase of 5% from the year ended 31 March 2012.¹⁸

Summary

Based on the 2013 overall outlook, despite the continuity of the slow trend in global economy, we believe that hospitality and tourism activities as well as consumer sentiment will remain strong with steady growth in Malaysia, Japan and Australia.

Starhill REIT will continue to adopt a robust management structure to identify and implement proactive asset management, marketing and operation strategies to mitigate risks and ultimately to enhance the revenue of the hotel properties and improve the yields and returns of the Group.

Starhill REIT will explore new capital growth through acquisitions and asset enhancement opportunities to achieve our goal of maintaining and building up a stable and yield accretive assets.

- ¹ Bank Negara Malaysia Annual Report 2012
- ² Ministry of Tourism and Malaysia & Property Market Report 2012, Ministry of Finance Malaysia
- ³ Klang Valley Hospitality Market 2H 2012, Hotels-Invest, ZerIn Properties
- ⁴ GDP Growth Data (Annual %), The World Bank
- ⁵ 2012 Foreign Visitor Arrivals, Japan National Tourism Organisation
- ⁶ Hotel Intelligence Report April 2013, Jones Lang LaSalle Hotels
- ⁷ Australian Bureau of Statistics
- ⁸ Tourism Research Australia, TRA Quarterly Issue 2: December 2012
- ⁹ Global Economics Prospects, World Bank
- ¹⁰ Business News from Xinhua Net.com, 2 August 2013
- ¹¹ Tourism plan to triple foreign visitors by 2030, The Japan Times.
- ¹² Japan Tourism Looks to Southeast Asia, 26 June 2013 – The Wall Street Journal, Japan
- ¹³ Australian Tourism Off to Strong Start in 2012, Media Release, Minister for Resources and Energy, Minister for Tourism, Australia
- ¹⁴ Tourism Australia signs deal with China Travel Service to boost visitors, Media Release, Tourism Australia
- ¹⁵ One millionth Approved Destination Status (ADS) Chinese visitor arrives in Australia, Media Release, Minister for Resources and Energy Minister for Tourism, Australia
- ¹⁶ Tourism Australia targets inbound growth with Air New Zealand partnership, Media Release, Tourism Australia
- ¹⁷ Travel & Tourism Competitiveness Report 2013, March 2013, World Economic Forum
- ¹⁸ International Visitors in Australia, Quarterly Results of the International Visitor Survey, March 2013, Tourism Research Australia

CORPORATE INFORMATION

MANAGER

Pintar Projek Sdn Bhd

MANAGER'S REGISTERED OFFICE/ PRINCIPAL PLACE OF BUSINESS

11th Floor, Yeoh Tiong Lay Plaza
55 Jalan Bukit Bintang
55100 Kuala Lumpur
Tel : 603-2117 0088/603-2142 6633
Fax : 603-2141 2703

BOARD OF DIRECTORS OF THE MANAGER

Chief Executive Officer

Tan Sri Dato' (Dr) Francis

Yeoh Sock Ping

PSM, CBE, FICE, SIMP, DPMS, DPMP,
JMN, JP

Hon DEng (Kingston), BSc (Hons) Civil
Engineering, FFB, F Inst D, MBIM, RIM

Executive Directors

Dato' Yeoh Seok Kian

DSSA

BSc (Hons) Bldg, MCIQB, FFB

Dato' Mark Yeoh Seok Kah

DSSA

LLB (Hons)

**Dato' Hj Mohamed Zainal Abidin Bin
Hj Abdul Kadir**

DPMP, PMP, AMN, PPN, PJK, OStJ, JP

Yeoh Keong Shyan

LLB (Hons)

Independent Non-Executive Directors

Dato' (Dr) Yahya Bin Ismail

DPMJ, DPCM, DPMP, KMN, PPT

Bachelor of Veterinary Science

**Dato' Ahmad Fuaad Bin Mohd
Dahalan**

AMS, DIMP, SIMP

BA (Hons)

Eu Peng Meng @ Leslie Eu

BCom, FCILT

MANAGEMENT TEAM

Datin Kathleen Chew Wai Lin

Legal Advisor

Ho Say Keng

Accountant/Company Secretary

Eoon Whai San

General Manager

COMPANY SECRETARY OF THE MANAGER

Ho Say Keng

TRUSTEE

Maybank Trustees Berhad

8th Floor, Menara Maybank

100 Jalan Tun Perak

50050 Kuala Lumpur

Tel : 603-2078 8363

Fax : 603-2070 9387

Email : mtb@maybank.com.my

REGISTRAR

Pintar Projek Sdn Bhd

11th Floor, Yeoh Tiong Lay Plaza

55 Jalan Bukit Bintang

55100 Kuala Lumpur

Tel : 603-2117 0088/603-2142 6633

Fax : 603-2141 2703

AUDITORS

HLB Ler Lum (AF 0276)

Chartered Accountants

(A member of HLB International)

PRINCIPAL BANKERS OF THE FUND

AmBank (M) Berhad

Malayan Banking Berhad

OCBC Bank (Malaysia) Berhad

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad

Main Market (16.12.2005)

PROFILE OF THE BOARD OF DIRECTORS

TAN SRI DATO' (DR) FRANCIS YEOH SOCK PING

Malaysian, aged 59, has been the Chief Executive Officer and Executive Director of Pintar Projek Sdn Bhd since 10 March 2005. Tan Sri Francis studied at Kingston University in the United Kingdom, where he obtained a Bachelor of Science (Hons) degree in Civil Engineering and was conferred an Honorary Doctorate of Engineering in 2004. He became the Managing Director of YTL Corporation Berhad Group in 1988 which, under his stewardship, has grown from a single listed company into a force comprising five listed entities ie. YTL Corporation Berhad, YTL Power International Berhad, YTL Land & Development Berhad, YTL e-Solutions Berhad and Starhill Real Estate Investment Trust.

He is presently the Managing Director of YTL Corporation Berhad, YTL Power International Berhad and YTL Land & Development Berhad, all listed on the Main Market of Bursa Malaysia Securities Berhad, and is the Executive Chairman of YTL e-Solutions Berhad, listed on the ACE Market of Bursa Malaysia Securities Berhad, and YTL Starhill Global REIT Management Limited, which is the manager for Starhill Global REIT, a vehicle listed on the Main Board of the Singapore Exchange Securities Trading Limited (SGX-ST). Tan Sri Francis sits on the boards of several public companies such as YTL Industries Berhad, YTL Cement Berhad and YTL Foundation, and private utilities companies including Wessex Water Limited and Wessex Water Services Limited in the United Kingdom and YTL PowerSeraya Pte Limited in Singapore. Tan Sri Francis is an Independent, Non-Executive Director of The Hong Kong and Shanghai Banking Corporation Limited.

He is a Founder Member of the Malaysian Business Council and The Capital Markets Advisory Council, member of The Nature Conservancy Asia Pacific Council and the Asia Business Council, Trustee of the Asia Society and Chairman for South East Asia of the International Friends of the Louvre. He is also a member of the Advisory Council of London Business School, Wharton School and INSEAD. He served as a member of the Barclays Asia-Pacific Advisory Committee from 2005 to 2012.

He was ranked by both Fortune and Businessweek magazines as Asia's 25 Most Powerful and Influential Business Personalities and one of Asia's Top Executives by Asiamoney. He won the inaugural Ernst & Young's Master Entrepreneur in Malaysia in 2002 and was named as Malaysia's CEO of the Year by CNBC Asia Pacific in 2005.

In 2006, he was awarded the Commander of the Most Excellent Order of the British Empire (CBE) by Her Majesty Queen Elizabeth II, and received a prestigious professional accolade when made a Fellow of the Institute of Civil Engineers

in London in 2008. Tan Sri Francis was the Primus Inter Pares Honouree of the 2010 Oslo Business for Peace Award, for his advocacy of socially responsible business ethics and practices. The Award was conferred by a panel of Nobel Laureates in Oslo, home of the Nobel Peace Prize. He also received the Corporate Social Responsibility Award at CNBC's 9th Asia Business Leaders Awards 2010.

DATO' YEOH SEOK KIAN

Malaysian, aged 55, has been an Executive Director of Pintar Projek Sdn Bhd since 10 March 2005. He graduated from Heriot-Watt University, Edinburgh, United Kingdom in 1981 with a Bachelor of Science (Hons) Degree in Building. He attended the Advance Management Programme conducted by Wharton Business School, University of Pennsylvania in 1984. Dato' Yeoh is a Fellow of the Faculty of Building, United Kingdom, as well as a Member of the Chartered Institute of Building (UK). He is presently the Deputy Managing Director of YTL Corporation Berhad and YTL Power International Berhad and Executive Director of YTL Land & Development Berhad, all listed on the Main Market of Bursa Malaysia Securities Berhad. Dato' Yeoh also serves on the boards of several other public companies such as YTL Industries Berhad, YTL Cement Berhad and The Kuala Lumpur Performing Arts Centre, private utilities companies Wessex Water Limited in the United Kingdom, YTL PowerSeraya Pte Limited in Singapore, as well as YTL Starhill Global REIT Management Limited, which is the manager of Starhill Global REIT, a vehicle listed on the Main Board of the Singapore Exchange Securities Trading Limited (SGX-ST).

DATO' (DR) YAHYA BIN ISMAIL

Malaysian, aged 85, has been an Independent, Non-Executive Director of Pintar Projek Sdn Bhd since 18 May 2005. He was formerly with the Government and his last appointment was the Director General of the National Livestock Authority Malaysia. He was with the Totalisator Board Malaysia from 1982 to 1990 and served as its Chairman since 1986. Dato' Yahya is a Director of YTL Corporation Berhad and YTL Power International Berhad, both listed on the Main Market of Bursa Malaysia Securities Berhad. He also sits on the board of Metroplex Berhad.

Profile of the Board of Directors

DATO' AHMAD FUAAD BIN MOHD DAHALAN

Malaysian, aged 63, was appointed to the Board on 17 January 2012 as an Independent, Non-Executive Director. Dato' Ahmad Fuaad holds a Bachelor of Arts (Hons) degree from the University of Malaya. He was attached with Wisma Putra, Ministry of Foreign Affairs as Malaysian Civil Service ("MCS") Officer in April 1973 before joining Malaysia Airlines in July 1973. While in Malaysia Airlines, Dato' Ahmad Fuaad served various posts and his last position was as the Managing Director. He was formerly a director of Lembaga Penggalakan Pelanchongan Malaysia, Malaysia Industry-Government Group for High Technology and Malaysia Airports Holdings Berhad. Currently, Dato' Ahmad Fuaad is the Chairman of Tokio Marine Insurans (Malaysia) Berhad and a director of Hong Leong Capital Berhad.

DATO' MARK YEOH SEOK KAH

Malaysian, aged 48, has been an Executive Director of Pintar Projek Sdn Bhd since 17 January 2012. He graduated from King's College, University of London, with an LLB (Hons) and was subsequently called to the Bar at Gray's Inn, London, in 1988. Dato' Mark Yeoh joined YTL Group in 1989 and is presently the Executive Director responsible for the YTL Hotels and Resorts Division. In addition, he is also part of YTL Power's Mergers & Acquisitions Team and was involved in the acquisition of ElectraNet SA (Australia), Wessex Water Limited (UK), P.T. Jawa Power (Indonesia) and PowerSeraya Limited (Singapore). He serves as an Executive Director of YTL Corporation Berhad and YTL Power International Berhad, both listed on the Main Market of Bursa Malaysia Securities Berhad. He is also a board member of several public companies such as YTL Cement Berhad and YTL Vacation Club Berhad, and private utilities companies, Wessex Water Limited in the United Kingdom and YTL PowerSeraya Pte Limited in Singapore.

DATO' HJ MOHAMED ZAINAL ABIDIN BIN HJ ABDUL KADIR

Malaysian, aged 73, has been an Executive Director of Pintar Projek Sdn Bhd since 10 March 2005. He qualified as a teacher in 1963 from the Day Training Centre for Teaching in Ipoh, Perak, and was in the teaching profession from 1964 to 1981 prior to entering the business arena as a property developer in May 1981. Dato' Hj Mohamed Zainal Abidin also sits on the boards of several reputable private limited companies involved in construction, property development and resort operations such as Pakatan Perakbina Sdn Bhd, Seri Yakin Sdn Bhd and Syarikat Pelanchongan Pangkor Laut Sendirian Berhad.

EU PENG MENG @ LESLIE EU

Malaysian, aged 78, has been an Independent, Non-Executive Director of Pintar Projek Sdn Bhd since 10 March 2005. Mr Leslie Eu graduated with a Bachelor of Commerce degree from the University College Dublin, Ireland. He is a Fellow of the Chartered Institute of Logistics and Transport and was one of the founding directors of Global Maritime Ventures Berhad. He has been in the shipping business for more than 50 years. He was the first Chief Executive Officer of Malaysian International Shipping Corporation Berhad from the company's inception in 1969 until his early retirement in 1985. He was a Board Member of Lembaga Pelabuhan Kelang from 1970 to 1999 and Lloyd's Register of Shipping (Malaysia) Bhd from 1983 to 2009. In 1995, he was presented the Straits Shipper Transport Personality award by the Minister of Transport. He was appointed by the United Nations Conference on Trade and Development as one of the 13 experts to assist the developing nations in establishing their maritime fleets. Mr Leslie Eu presently serves on the boards of several public companies such as YTL Corporation Berhad and YTL Land & Development Berhad, both listed on the Main Market of Bursa Malaysia Securities Berhad, and YTL Cement Berhad.

YEOH KEONG SHYAN

Malaysian, aged 27, has been an Executive Director of Pintar Projek Sdn Bhd since 18 January 2011. He graduated from the University of Nottingham with an LLB (Hons) and was subsequently called to the Bar at Gray's Inn, London, in 2008. He obtained the Capital Markets and Financial Advisory Services (CMFAS) Certification in 2010. He joined YTL Group in 2009 and is presently engaged in the YTL Hotels and Resorts as well as the Property Development Divisions.

Profile of the Board of Directors

DETAILS OF ATTENDANCE OF DIRECTORS AT BOARD MEETINGS

During the financial year, a total of 4 Board meetings were held and the details of attendance are as follows:-

	Attendance
Tan Sri Dato' (Dr) Francis Yeoh Sock Ping	4
Dato' Yeoh Seok Kian	2
Dato' (Dr) Yahya Bin Ismail	4
Dato' Ahmad Fuaad Bin Mohd Dahalan	4
Dato' Mark Yeoh Seok Kah	3
Dato' Hj Mohamed Zainal Abidin Bin Hj Abdul Kadir	3
Eu Peng Meng @ Leslie Eu	4
Yeoh Keong Shyan	3

Notes:

1. Family Relationship with any Director and/or Major Unitholder

Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, Dato' Yeoh Seok Kian and Dato' Mark Yeoh Seok Kah are siblings. Tan Sri Dato' Seri (Dr) Yeoh Tiong Lay, the father of Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, Dato' Yeoh Seok Kian and Dato' Mark Yeoh Seok Kah, is a deemed major shareholder of YTL Corporation Berhad, which is a major unitholder of Starhill REIT. Mr Yeoh Keong Shyan is a son of Tan Sri Dato' (Dr) Francis Yeoh Sock Ping. Save as disclosed herein, none of the Directors of the Manager has any family relationship with any other directors and/or major unitholders of Starhill REIT.

2. Conflict of Interest

Save for the Director's interest in Starhill REIT (as disclosed under Directors' Interests in the Manager's Report) and the transactions with companies related to the Manager (as disclosed in the notes to the financial statements), no conflict of interest has arisen during the financial year under review.

3. Conviction for Offences

None of the Directors of the Manager has been convicted for any offences other than traffic offences within the past ten (10) years.

STATEMENT ON CORPORATE GOVERNANCE

for the financial year ended 30 June 2013

Starhill Real Estate Investment Trust ("Starhill REIT" or "Trust") was established on 18 November 2005 pursuant to a trust deed ("Deed") entered into between Pintar Projek Sdn Bhd ("PPSB" or "Manager") and Maybank Trustees Berhad ("Trustee"). Starhill REIT has been listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") since 16 December 2005.

The Board of Directors of PPSB ("Board") is firmly committed to ensuring that the Manager implements and operates good corporate governance practices in its overall management of the Trust and its subsidiaries ("Starhill REIT Group"). In implementing its system of corporate governance, the Directors have been guided by the measures set out in the Guidelines on Real Estate Investment Trusts ("REIT Guidelines") issued by the Securities Commission Malaysia ("SC"), the Main Market Listing Requirements of Bursa Securities ("Listing Requirements") and the Malaysian Code on Corporate Governance 2012 ("Code").

THE ROLE OF THE MANAGER

Starhill REIT is managed and administered by PPSB, who has the primary objectives of: (a) providing unitholders of the Trust ("Unitholders") with stable cash distributions with the potential for sustainable growth, principally from the ownership of properties; and (b) enhancing the long-term value of Starhill REIT's units ("Units").

The Manager is required to ensure that the business and operations of Starhill REIT are carried on and conducted in a proper, diligent and efficient manner, and in accordance with acceptable and efficacious business practices in the real estate investment trust industry in Malaysia. Subject to the provisions of the Deed, the Manager has full and complete powers of management and must manage Starhill REIT (including all assets and liabilities of the Trust) for the benefit of its Unitholders.

The Board recognises that an effective corporate governance framework is critical in order to achieve these objectives, to fulfil its duties and obligations and to ensure that Starhill REIT continues to perform strongly.

The general functions, duties and responsibilities of the Manager include the following:

- (a) to manage the Starhill REIT Group's assets and liabilities for the benefit of Unitholders;
- (b) to be responsible for the day-to-day management of the Starhill REIT Group;

- (c) to carry out activities in relation to the assets of the Starhill REIT Group in accordance with the provisions of the Deed;
- (d) to set the strategic direction of the Starhill REIT Group and submit proposals to the Trustee on the acquisition, divestment or enhancement of assets of the Starhill REIT Group;
- (e) to issue an annual report and quarterly reports of Starhill REIT to Unitholders within 2 months of Starhill REIT's financial year end and the end of the periods covered, respectively; and
- (f) to ensure that the Starhill REIT Group is managed within the ambit of the Deed, the Capital Markets and Services Act 2007 (as amended) and other securities laws, the Listing Requirements, the REIT Guidelines and other applicable laws.

CONFLICTS OF INTEREST

The Deed provides that the Manager, the Trustee and any delegate of either of them shall avoid conflicts of interest arising or, if conflicts arise, shall ensure that the Starhill REIT Group is not disadvantaged by the transaction concerned. The Manager must not make improper use of its position in managing the Starhill REIT Group to gain, directly or indirectly, an advantage for itself or for any other person or to cause detriment to the interests of Unitholders.

In order to deal with any conflict-of-interest situations that may arise, the Manager's policy is that all transactions carried out for or on behalf of the Starhill REIT Group are to be executed on terms that are the best available to the Trust and which are no less favourable than an arm's length transaction between independent parties.

Cash or other liquid assets of the Starhill REIT Group may only be placed in a current or deposit account if: (a) the party is an institution licensed or approved to accept deposits; and (b) the terms of the deposit are the best available for Starhill REIT and are no less favourable to the Trust than an arm's length transaction between independent parties.

Statement on Corporate Governance

for the financial year ended 30 June 2013

The Manager may not act as principal in the sale and purchase of real estate, securities and any other assets to and from the Starhill REIT Group. "Acting as principal" includes a reference to:

- (a) dealing in or entering into a transaction on behalf of a person associated with the Manager;
- (b) acting on behalf of a corporation in which the Manager has a controlling interest; or
- (c) the Manager acting on behalf of a corporation in which the Manager's interest and the interests of its Directors together constitute a controlling interest.

In addition, the Manager must not, without the prior approval of the Trustee, invest any funds available for investment under the Deed in any securities, real estate or other assets in which the Manager or any officer of the Manager has a financial interest or from which the Manager or any officer of the Manager derives a benefit.

RELATED PARTY TRANSACTIONS

In dealing with any related party transactions that may arise, it is the Manager's policy that no real estate may be acquired from, or disposed to, a related party of the Manager unless the criteria set out in (a) to (c) below are satisfied and the procedures described further below are complied with:

- (a)
 - (i) a valuation must be undertaken of the real estate by an approved valuer, in accordance with the Deed, and a valuation report given to the Trustee;
 - (ii) the date of valuation must not be more than 6 months before the date of the proposed acquisition or disposal;
 - (iii) since the last valuation date, no circumstances must have arisen to materially affect the valuation;
 - (iv) the valuation must not have been revised by the SC pursuant to the REIT Guidelines;
- (b) the real estate must be transacted at a price as assessed below:
 - (i) in the case of acquisitions, not more than the value assessed in the valuation report referred to in (a) above;
 - (ii) in the case of disposals, not less than 90% of the value assessed in the valuation report referred to in (a) above; and
- (c) the consent of the Trustee must be obtained if it has not already been obtained.

An announcement to Unitholders must be made by the Manager prior to the acquisition or disposal of real estate, providing full details of the proposed transaction, the value of the real estate as assessed by an approved valuer, whether the consent of the Trustee and the SC, where applicable, has been obtained and the acquisition or disposal price.

Where the transaction is conditional upon the approval of Unitholders, such approval must be sought prior to completion of the transaction. The Trustee must ensure that the prior approval of Unitholders is obtained at a general meeting, held specifically for that purpose, in the following circumstances:

- (a) where the real estate is to be acquired or disposed of at a price other than that at a price assessed by reference to the valuation report; and
- (b) a disposal which exceeds 50% of the gross asset value (on a per-transaction basis).

In this regard, the Manager adheres strictly to the provisions of the REIT Guidelines which prohibit the Manager and its related parties from voting their Units at any meeting of Unitholders convened unless an exemption is obtained from the SC.

ROLES & RESPONSIBILITIES OF THE BOARD

The Manager is led and managed by an experienced Board with a wide and varied range of expertise. This broad spectrum of skills and experience gives added strength to the leadership, thus ensuring the Manager is under the oversight and guidance of an accountable and competent Board. The Directors recognise the key role they play in charting the strategic direction, development and control of the Manager. Key elements of the Board's stewardship responsibilities include those set out in the Code:

- Reviewing and adopting strategic plans for the Starhill REIT Group;
- Overseeing the conduct of the Starhill REIT Group's business operations and financial performance;
- Identifying the principal risks affecting the Starhill REIT Group's businesses and maintaining a sound system of internal control and mitigation measures;
- Succession planning;
- Overseeing the development and implementation of Unitholder communication policies; and
- Reviewing the adequacy and integrity of the Starhill REIT Group's management information and internal control system.

Statement on Corporate Governance

for the financial year ended 30 June 2013

The Chief Executive Officer and Executive Directors are accountable to the Board for the profitability and development of the Starhill REIT Group, consistent with the primary aim of enhancing long-term Unitholder value. The Independent Non-Executive Directors have the experience and business acumen necessary to carry sufficient weight in the Board's decisions and the presence of these Independent Non-Executive Directors brings an additional element of balance to the Board as they do not participate in the day-to-day running of Starhill REIT.

The differing roles of Executive and Non-Executive Directors are delineated, both having fiduciary duties to Unitholders. Executive Directors have a direct responsibility for business operations whereas Non-Executive Directors have the necessary skill and experience to bring an independent and objective judgment to bear on issues of strategy, performance and resources brought before the Board. The Executive Directors are responsible for the Manager's operations and for ensuring that the strategies proposed by the executive management are fully discussed and examined, and take account of the long term interests of the Unitholders.

Board meetings are scheduled with due notice in advance at least four times a year in order to review and approve the interim and annual financial statements. Additional meetings may also be convened on an ad-hoc basis when significant issues arise relating to the Trust. The Board met four times during the financial year ended 30 June 2013.

The Directors have full and unrestricted access to all information pertaining to the business and affairs of the Starhill REIT Group to enable them to discharge their duties. Prior to Board meetings, all Directors receive the agenda together with a comprehensive set of Board papers containing information relevant to the business of the meeting. This allows the Directors to obtain further explanations or clarifications, where necessary, in order to be properly briefed before each meeting.

All Directors have full access to the advice and services of the Company Secretary who ensures that Board procedures are adhered to at all times during meetings and advises the Board on matters including corporate governance issues and the Directors' responsibilities in complying with relevant legislation and regulations. The Company Secretary works very closely with management for timely and appropriate information, which will then be passed on to the Directors. In accordance with the Board's procedures, deliberations and conclusions in Board meetings are recorded by the Company Secretary, who ensures that accurate and proper records of the proceedings of Board meetings and resolutions passed are recorded and kept in the statutory register at the registered office of the Manager.

COMPOSITION & INDEPENDENCE OF THE BOARD

The Board currently has 8 Directors comprising 5 executive members and 3 non-executive members, all of whom are independent. This is in compliance with the provisions of the Listing Requirements and the REIT Guidelines for at least one-third of the Board to be independent.

The appointment of Directors is undertaken by the Board as a whole. The Chief Executive Officer makes recommendations on the suitability of candidates nominated for appointment to the Board and, thereafter, the final decision lies with the entire Board to ensure that the resulting mix of experience and expertise of members of the Board is sufficient to address the issues affecting the Manager. In its deliberations, the Board is required to take into account the integrity, professionalism, skill, knowledge, expertise and experience of the proposed candidate.

Directors' remuneration is decided in line with the objective recommended by the Code to determine the remuneration for Directors so as to attract and retain Directors of the calibre needed to successfully carry on the Manager's operations. The Executive Directors' remuneration consists of basic salary, other emoluments and other customary benefits as appropriate to a senior management member. In general, the component parts of remuneration are structured so as to link rewards to the overall performance of Starhill REIT. In the case of Non-Executive Directors, the level of remuneration reflects the contribution, experience and responsibilities undertaken by the particular non-executive concerned.

BOARD COMMITMENT

The Directors are fully cognisant of the importance and value of attending seminars, training programmes and conferences in order to update themselves on developments and changes in the REIT industry, as well as wider economic, financial and governance issues to enhance their skills, knowledge and expertise in their respective fields. The Board will continue to evaluate and determine the training needs of its Directors on an ongoing basis.

Throughout the financial year under review, the Directors attended various conferences, programmes and speaking engagements covering areas that included corporate governance, leadership, updates on the REIT industry and global business developments which they collectively or individually considered useful in discharging their stewardship responsibilities.

Statement on Corporate Governance

for the financial year ended 30 June 2013

INTEGRITY IN FINANCIAL REPORTING

The Directors are responsible for ensuring that financial statements of the Trust are drawn up in accordance with applicable approved accounting standards in Malaysia, the provisions of the Companies Act 1965, the REIT Guidelines and the Deed. In presenting the financial statements, the Manager has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates. The Directors also strive to ensure that financial reporting presents a fair and understandable assessment of the position and prospects of Starhill REIT. Interim financial statements are reviewed and approved by the Directors prior to release to the relevant regulatory authorities.

RISK MANAGEMENT & INTERNAL CONTROL

The Manager's internal audit function is undertaken by the Internal Audit department of its parent company, YTL Corporation Berhad ("YTLIA"). YTLIA reports directly to the Audit Committee of YTL Corporation Berhad and to the Board on matters pertaining to the Manager and the Trust.

The activities of the internal audit function during the year under review included:-

- Developing the annual internal audit plan and proposing this plan to the Board;
- Conducting scheduled internal audit engagements, focusing primarily on the effectiveness of internal controls and recommending improvements where necessary;
- Conducting follow-up reviews to assess if appropriate action has been taken to address issues highlighted in audit reports; and
- Presenting audit findings to the Board for consideration.

None of the weaknesses or issues identified during the review for the financial year has resulted in non-compliance with any relevant policies or procedures, listing requirements or recommended industry practices that would require disclosure in the Trust's Annual Report.

The Manager's system of internal control will continue to be reviewed, enhanced and updated in line with changes in the operating environment. The Board will seek regular assurance on the continuity and effectiveness of the internal control system through independent appraisals by YTLIA. The Board is of the view that the current system of internal control in place is effective to safeguard the interests of the Starhill REIT Group.

The Board has established a formal and transparent arrangement for maintaining an appropriate relationship with the auditors of Starhill REIT. Starhill REIT's auditors report their findings to members of the Board as part of the audit process on the statutory financial statements each financial year. From time to time, the auditors highlight matters that require attention to the Board.

CORPORATE DISCLOSURE & COMMUNICATION WITH UNITHOLDERS

The Manager values dialogue with Unitholders and investors as a means of effective communication that enables the Board to convey information about the Starhill REIT Group's performance, corporate strategy and other matters affecting Unitholders' interests. The Board recognises the importance of timely dissemination of information to Unitholders and, accordingly, ensures that they are well informed of any major developments of Starhill REIT. Such information is communicated through the annual report, the Trust's various disclosures and announcements to Bursa Securities, including quarterly and annual results, and the corporate website.

Corporate information, annual financial results, governance information, business reviews and future plans are disseminated through the Annual Report, whilst current corporate developments are communicated via the company's website, www.starhillreit.com, in addition to prescribed information, including financial results, announcements, circulars, prospectuses and notices, which is released through the official website of Bursa Securities.

The Chief Executive Officer and Executive Directors meet with analysts, institutional Unitholders and investors throughout the year to provide updates on strategies and new developments. However, price-sensitive information and information that may be regarded as undisclosed material information about Starhill REIT is not disclosed in these sessions until after the requisite announcements to Bursa Securities have been made.

This statement was approved by the Board on 1 August 2013.

ANALYSIS OF UNITHOLDINGS

as at 22 July 2013

Size of holding	No. of Unitholders	%	No. of Units	%
1 – 99	373	4.65	5,245	0.00
100 – 1,000	1,663	20.74	1,393,409	0.11
1,001 – 10,000	3,639	45.38	20,053,945	1.51
10,001 – 100,000	1,989	24.80	70,042,601	5.29
100,001 – to less than 5% of issued units	353	4.40	488,497,200	36.88
5% and above of issued units	2	0.03	744,396,489	56.21
Total	8,019	100.00	1,324,388,889	100.00

THIRTY LARGEST UNITHOLDERS (as per Record of Depositors)

Name	No. of Units	%
1 YTL Corporation Berhad	670,280,889	50.61
2 YTL Corporation Berhad	74,115,600	5.60
3 East-West Ventures Sdn Bhd	62,500,000	4.72
4 Citigroup Nominees (Tempatan) Sdn Bhd – Employees Provident Fund Board	45,206,000	3.41
5 Valuecap Sdn Bhd	37,865,000	2.86
6 Citigroup Nominees (Tempatan) Sdn Bhd – Exempt An for AIA Bhd	31,503,000	2.38
7 Syarikat Pelanchongan Pangkor Laut Sendirian Berhad	24,250,000	1.83
8 Tanjong Jara Beach Hotel Sdn Bhd	21,750,000	1.64
9 YTL Power International Berhad	20,496,900	1.55
10 Business & Budget Hotels (Kuantan) Sdn Bhd	18,750,000	1.42
11 Megahub Development Sdn Bhd	18,250,000	1.38
12 HSBC Nominees (Asing) Sdn Bhd – Exempt An for JPMorgan Chase Bank, National Association (Kuwait)	15,000,000	1.13
13 YTL Power International Berhad	14,628,000	1.10
14 DB (Malaysia) Nominee (Asing) Sdn Bhd – Exempt An for Deutsche Bank AG Singapore (PWM Asing)	10,991,000	0.83
15 HSBC Nominees (Asing) Sdn Bhd – SIX SIS for Bank Sarasin CIE	8,900,000	0.67
16 HSBC Nominees (Asing) Sdn Bhd – HSBC-FS for Value Partners High-Dividend Stocks Fund	8,858,500	0.67
17 YTL Power International Berhad	7,964,600	0.60
18 Amanah Raya Berhad – Kumpulan Wang Bersama	5,041,700	0.38
19 AMSEC Nominees (Tempatan) Sdn Bhd – AMtrustee Bhd for AMgeneral Insurance Berhad-Shareholders' Fund	4,798,300	0.36
20 RHB Nominees (Tempatan) Sdn Berhad – OSK Trustees Berhad for The Divine Vision Trust	4,300,000	0.32
21 HSBC Nominees (Asing) Sdn Bhd – HSBC-FS for Allianz Pan Asian Reits Fund Segregated Portfolio (Allianz GICF SP)	4,250,300	0.32

Analysis of Unitholdings

as at 22 July 2013

Name	No. of Units	%
22 Chin Kian Fong	3,319,600	0.25
23 Hong Leong Assurance Berhad – As Beneficial Owner (Life Par)	3,100,000	0.23
24 YTL Corporation Berhad	2,687,700	0.20
25 CIMSEC Nominees (Tempatan) Sdn Bhd – CIMB Bank for Diana Teo May Ling (MY0649)	2,439,300	0.18
26 Chow Yook Hey @ Chow Yoke Pui	2,410,000	0.18
27 Citigroup Nominees (Asing) Sdn Bhd – CBNY for DFA International Real Estate Securities Portfolio of DFA Investment Dimension Group INC	2,342,700	0.18
28 Hong Leong Assurance Berhad – As Beneficial Owner (Life Non Par)	2,200,000	0.17
29 Hong Leong Bank Berhad	2,200,000	0.17
30 HSBC Nominees (Tempatan) Sdn Bhd – HSBC (M) Trustee Bhd for Hwang Select Income Fund (4850)	1,931,000	0.15
Total	1,132,330,089	85.49

SUBSTANTIAL UNITHOLDERS

Name	No. of Units Held			
	Direct	%	Indirect	%
YTL Corporation Berhad	747,464,189	56.44	61,839,500 ⁽¹⁾	4.67
Yeoh Tiong Lay & Sons Holdings Sdn Bhd	–	–	914,303,689 ⁽²⁾	69.04
Tan Sri Dato' Seri (Dr) Yeoh Tiong Lay	–	–	914,303,689 ⁽³⁾	69.04
Dato' Hj Mohamed Zainal Abidin Bin Hj Abdul Kadir	70,000	0.01	108,500,000 ⁽⁴⁾	8.19

⁽¹⁾ Deemed interested by virtue of its interests in YTL Power International Berhad ("YTL Power") and Business & Budget Hotels (Kuantan) Sdn Bhd ("BBHK") pursuant to Section 6A of the Companies Act, 1965 ("Act").

⁽²⁾ Deemed interested by virtue of its interests in YTL Corporation Berhad ("YTL Corp"), YTL Power, BBHK, Megahub Development Sdn Bhd ("MDSB"), East-West Ventures Sdn Bhd ("EWW") and Syarikat Pelanchongan Pangkor Laut Sendirian Berhad ("SPPL") pursuant to Section 6A of the Act.

⁽³⁾ Deemed interested by virtue of his interests in Yeoh Tiong Lay & Sons Holdings Sdn Bhd, YTL Corp, YTL Power, BBHK, MDSB, EWW and SPPL pursuant to Section 6A of the Act.

⁽⁴⁾ Deemed interested by virtue of his interests in EWW, SPPL and Tanjong Jara Beach Hotel Sdn Bhd ("TJBH") pursuant to Section 6A of the Act.

STATEMENT OF INTERESTS OF DIRECTORS OF THE MANAGER

Pintar Projek Sdn Bhd in Starhill Real Estate Investment Trust as at 22 July 2013

Name	No. of Units Held			
	Direct	%	Indirect	%
Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE, FICE	870,000	0.07	–	–
Dato' Hj Mohamed Zainal Abidin Bin Hj Abdul Kadir	70,000	0.01	108,500,000 →	8.19

→ Deemed interested by virtue of his interests in EWW, SPPL and TJBH pursuant to Section 6A of the Act.

Financial Statements

Manager's Report	51
Statement by Manager	61
Statutory Declaration	61
Trustee's Report	62
Independent Auditors' Report	63
Statements of Profit or Loss	65
Statements of Other Comprehensive Income	67
Statements of Financial Position	68
Statements of Changes in Net Asset Value	70
Statements of Cash Flows	72
Notes to the Financial Statements	74
Supplementary Information on the Disclosure of Realised and Unrealised Profits or Losses	120

The Directors of Pintar Projek Sdn. Bhd., the Manager of Starhill Real Estate Investment Trust ("Starhill REIT" or the "Trust"), is pleased to present the Report to Unitholders of Starhill REIT together with the audited financial statements of Starhill REIT Group (the "Group") for the financial year ended 30 June 2013.

PRINCIPAL ACTIVITY OF THE MANAGER

The principal activity of the Manager is the management of real estate investment trusts. There has been no significant change in the nature of this activity during the financial year under review.

THE TRUST AND ITS INVESTMENT OBJECTIVE

Starhill REIT was established on 18 November 2005 pursuant to a trust deed dated 18 November 2005 ("Deed") between the Manager and Maybank Trustees Berhad ("Trustee") and is categorised as a real property fund.

Starhill REIT was listed on the Main Market of Bursa Malaysia Securities Berhad on 16 December 2005 and is an income and growth type fund. The investment objective of Starhill REIT is to own and invest in real estate and real estate-related assets, whether directly or indirectly through the ownership of single-purpose companies whose principal assets comprise real estate. The investment portfolio of Starhill REIT in Malaysia as at 30 June 2013 comprise JW Marriott Hotel Kuala Lumpur, The Residences at The Ritz-Carlton, Kuala Lumpur, Cameron Highlands Resort, Vistana Penang, Vistana Kuala Lumpur, Vistana Kuantan, The Ritz-Carlton, Kuala Lumpur, part of Pangkor Laut Resort and Tanjong Jara Resort. Hilton Niseko was acquired through the Trust's subsidiary, namely Starhill REIT Niseko G.K., a company incorporated in Japan. The Group's Australian subsidiaries completed the acquisition of Sydney Harbour Marriott, Brisbane Marriott and Melbourne Marriott ("Australian Properties") during the year, bringing the total investment portfolio of the Group to 13.

BENCHMARK RELEVANT TO THE GROUP

MANAGEMENT EXPENSE RATIO ("MER")

	2013	2012
MER for the financial year	0.97%	0.36%

MER is calculated based on the total of all the fees and expenses incurred by Starhill REIT Group in the financial year and deducted directly from the income (including the manager's fees, the trustee's fee, the auditors' remuneration and other professional fees and expenses) and all the expenses not recovered from and/or charged to the Group (including the costs of printing, stationery and postage), to the average net asset value of the Group during the financial year calculated on a quarterly basis.

Since the basis of calculating MER can vary among real estate investment trusts, there is no sound basis for providing an accurate comparison of Starhill REIT Group's MER against other real estate investment trusts.

DISTRIBUTION POLICY

Pursuant to the Deed, it is the policy of the Manager to distribute at least 90% of the distributable income for each financial year.

Manager's Report

COMPOSITION OF INVESTMENT PORTFOLIO

As at the reporting date, Starhill REIT Group's composition of investment portfolio is as below:-

	RM'000	%
Real Estate – Commercial		
1. JW Marriott Hotel, Kuala Lumpur	349,700	12
2. The Residences at The Ritz-Carlton, Kuala Lumpur	223,881	8
3. The Ritz-Carlton, Kuala Lumpur	253,017	9
4. Vistana Penang	101,778	3
5. Vistana Kuala Lumpur	101,207	3
6. Vistana Kuantan	75,980	3
7. Pangkor Laut Resort	98,365	3
8. Tanjong Jara Resort	88,050	3
9. Cameron Highlands Resort	50,649	2
10. Hilton Niseko	205,912	7
11. Sydney Harbour Marriott	756,024	26
12. Brisbane Marriott	346,581	12
13. Melbourne Marriott	161,012	5
Sub-total	2,812,156	96
Deposits with licensed financial institution	107,370	4
Total	2,919,526	100

BREAKDOWN OF UNITHOLDINGS

Set out below is the analysis of unitholdings of Starhill REIT as at the reporting date:-

Unit class	No. of Unitholders	%	No. of Units held	%
Less than 100	369	4.63	5,145	0.00
100 to 1,000	1,657	20.77	1,387,609	0.10
1,001 to 10,000	3,616	45.33	19,874,645	1.50
10,001 to 100,000	1,981	24.84	69,746,001	5.27
100,001 to less than 5% of issued units	351	4.40	488,979,000	36.92
5% and above of issued units	2	0.03	744,396,489	56.21
	7,976	100.00	1,324,388,889	100.00

MATERIAL CONTRACTS

Set out below are the details of the material contracts involving the Manager and the major unitholders' interests, still subsisting at the reporting date:-

Name	Pintar Projek Sdn. Bhd.
Date of agreement	18 November 2005
General nature	Trust deed
Consideration passing from the Trust	As disclosed in Note 7 to the Financial Statements
Mode of satisfaction of the consideration	By cash
Relationship with the major unitholder	70%-owned subsidiary company

Name	Star Hill Hotel Sdn. Bhd.
Date of agreement	8 March 2005, 18 October 2006 and 18 October 2006
Deed of novation	16 December 2005, 16 May 2007 and 15 November 2011
General nature	Agreement for lease for two properties
Consideration passing to the Trust	Annual lease rental of RM34,774,425
Mode of satisfaction of the consideration	By cash
Relationship with the major unitholder	A wholly-owned subsidiary company

Name	Cameron Highlands Resort Sdn. Bhd.
Date of agreement	15 November 2011
General nature	Agreement for lease
Consideration passing to the Trust	Annual lease rental of RM4,000,000
Mode of satisfaction of the consideration	By cash
Relationship with the major unitholder	A wholly-owned subsidiary company

Name	Business & Budget Hotels (Penang) Sdn. Bhd.
Date of agreement	15 November 2011
General nature	Agreement for lease
Consideration passing to the Trust	Annual lease rental of RM8,200,000
Mode of satisfaction of the consideration	By cash
Relationship with the major unitholder	51%-owned subsidiary company

Manager's Report

MATERIAL CONTRACTS (CONTINUED)

Name	Prisma Tulin Sdn. Bhd.
Date of agreement	15 November 2011
General nature	Agreement for lease
Consideration passing to the Trust	Annual lease rental of RM8,200,000
Mode of satisfaction of the consideration	By cash
Relationship with the major unitholder	A wholly-owned subsidiary company

Name	Business & Budget Hotels (Kuantan) Sdn. Bhd.
Date of agreement	15 November 2011
General nature	Agreement for lease
Consideration passing to the Trust	Annual lease rental of RM6,000,000
Mode of satisfaction of the consideration	By cash
Relationship with the major unitholder	50%-owned associated company

Name	YTL Land Sdn. Bhd.
Date of agreement	28 June 2010
General nature	Car park agreement
Consideration passing to the Trust	Annual fee of RM1,676,231
Mode of satisfaction of the consideration	By cash
Relationship with the major unitholder	A wholly-owned subsidiary company

PERFORMANCE OF THE GROUP

	2013 RM'000	Group 2012 RM'000
Revenue	292,021	80,860
Net property income	180,417	75,531
Profit before tax	56,242	107,264
Income available for distribution	105,183	101,129

For the financial year ended 30 June 2013, the Group recorded RM292.021 million and RM180.417 million of revenue and net property income, respectively representing an increase of 261% and 139% compared to RM80.860 million and RM75.531 million of revenue and net property income, respectively recorded in the preceding financial year ended 30 June 2012.

PERFORMANCE OF THE GROUP (CONTINUED)

The increase in revenue and net property income for the financial year ended 30 June 2013 was attributed mainly to the recognition of revenue generated by the Australian Properties acquired on 29 November 2012. The improvement in revenue and net property income is also contributed by the recognition of lease rental income from the lease of hospitality related properties in Malaysia and Japan for a full financial year since the acquisitions on 15 November 2011 and 22 December 2011.

The Group's profit before tax decreased by 48% from RM107.264 million recorded in the preceding financial year ended 30 June 2012 to RM56.242 million in the current financial year ended 30 June 2013 due to borrowing cost incurred to finance the acquisition of Australian Properties and depreciation charge in Australian Properties.

For the current financial year ended 30 June 2013, there is the absence of a one off gain on disposal of Convertible Preferred Units ("CPU") issued by Starhill Global Real Estate Investment Trust and CPU interest income of RM 26.421 million ("Non-Recurring Income") recognised in the preceding financial year ended 30 June 2012. The profit before tax and depreciation for the current financial year of RM101.295 million as compared to the adjusted profit before tax for the preceding financial year of RM80.843 million (after adjustment for the Non-Recurring Income) represents an improvement of 25%.

The Group's income available for distribution for the current financial year ended 30 June 2013 improved by 4% from RM101.129 million to RM105.183 million mainly due to the full financial year profit contribution from lease rental income from the lease of hospitality related properties in Malaysia and Japan and contribution from the Australian Properties. The income available for distribution of RM105.183 million recorded in the current financial year as compared to the adjusted income available for distribution for the preceding financial year of RM74.708 million (after adjustment for the Non-Recurring Income), reflects an improvement of 41%.

DISTRIBUTION OF INCOME

An interim distribution of income (which is tax exempt at the Trust level under the amended Section 61A of the Income Tax Act, 1967) of 3.5873 sen per unit (of which 3.5188 sen is taxable and 0.0685 sen is non-taxable in the hands of unitholders) amounted to RM47,509,803 was paid on 28 February 2013.

The Manager has declared a final income distribution (which is tax exempt at the Trust level under the amended Section 61A of the Income Tax Act, 1967) of 3.7930 sen per unit (of which 3.0775 sen is taxable and 0.7155 sen is non-taxable in the hands of unitholders), totaling RM50,234,070.

Total distribution paid and declared for the financial year ended 30 June 2013 is 7.3803 sen per unit, totaling RM97,743,873, which translates to a yield of 6.83% based on the twelve months weighted average market price of RM1.0798 per unit as at 30 June 2013.

The total income distribution of RM97,743,873 represents approximately 93% of the realised and distributable income for the financial year ended 30 June 2013.

The effect of the income distribution in terms of the net asset value per unit as at 30 June 2013 is as follows:-

	Before distribution RM	After distribution RM
Net asset value ("NAV") per unit	1.068	0.994

Manager's Report

DISTRIBUTION OF INCOME (CONTINUED)

Analysis of net asset value since the last financial year ended 30 June 2012:-

At 30 June	2013	2012
Total net asset value (RM'000)	1,316,068	1,515,536
Net asset value per unit (RM)	0.994	1.144

The decrease in total NAV and NAV per unit was mainly due to the recognition of unrealised foreign exchange loss on overseas operations and the provision for distributable income of the Trust after adjustment for non-cash transactions in the calculation of realised income available for distribution.

Analysis of changes in prices during the financial year ended 30 June 2013:-

The Trust's units traded at RM1.02 per unit at the beginning of the financial year and ended the year higher at RM1.06 per unit, with a volume weighted average price for the financial year of RM1.08 per unit. During the financial year under review, the Trust's unit price reached a high of RM1.15 per unit and a low of RM1.02 per unit, and traded largely in line with the FTSE Bursa Malaysia KLCI.

MANAGER'S INVESTMENT STRATEGIES AND POLICIES

INVESTMENT STRATEGIES

During the financial year, the Manager continued to carry out the following investment strategies in order to achieve Starhill REIT's business objectives:-

(i) Operating Strategy

The Trust continued to focus on the acquisition of hotel properties located both in Malaysia and internationally, subject to attractive valuations that will provide yield accretive returns to the unitholders and maintained the quality of the properties under its current portfolio.

The Trust was also able to leverage on focused co-branding and cross marketing strategies to enhance the performance of its hospitality assets that include integrated conference facilities to draw international business interest and internationally acclaimed food and beverage outlets.

(ii) Acquisition Strategy

The Manager seeks to increase cash flow and enhance unit value through selective acquisitions. This acquisition strategy takes into consideration:-

- (a) location;
- (b) opportunities; and
- (c) yield thresholds.

The Manager also has access to networks and relationships with leading participants in the real estate and hotel industry which may assist Starhill REIT in identifying (a) acquisition opportunities to achieve favourable returns on invested capital and growth in cash flow; and (b) underperforming assets.

INVESTMENT STRATEGIES (CONTINUED)

(ii) Acquisition Strategy (continued)

The Manager intends to hold properties on a long-term basis. However, in the future where the Manager considers that any property has reached a stage that offers only limited scope for growth, the Manager may consider selling the property and using the proceeds for alternative investments in properties that meet its investment criteria.

(iii) Capital Management Strategy

The Manager optimises Starhill REIT's capital structure and cost of capital within the borrowing limits prescribed by the Guidelines on Real Estate Investment Trusts issued by the Securities Commission Malaysia ("SC") ("REIT Guidelines") via a combination of debt and equity funding for future acquisitions and improvement works of its properties. This capital management strategy involves:-

- (a) adopting and maintaining an optimal gearing level; and
- (b) adopting an active interest rate management strategy to manage risks associated with changes in interest rates while maintaining flexibility in Starhill REIT's capital structure to meet future investment and/or capital expenditure requirements.

INVESTMENT POLICIES

The Manager will continue to comply with the REIT Guidelines and other requirements as imposed by the SC from time to time and the Deed, including (i) to invest in investment permitted by the SC; and (ii) to ensure the investment portfolio requirements and limits imposed by the REIT Guidelines and/or the Deed are adhered to.

The Manager will also ensure that Starhill REIT will not be involved in (i) extension of loans or any other credit facility; (ii) property development; and (iii) acquisition of a vacant land.

MATERIAL LITIGATION

There was no material litigation as at the date of this Report.

SOFT COMMISSION

During the financial year, the Manager did not receive any soft commission (ie. goods and services) from its broker, by virtue of transactions conducted by the Trust.

DIRECTORS

The Directors who served on the Board of the Manager, Pintar Projek Sdn. Bhd. since the date of last Report of the Trust are:-

Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE, FICE
Dato' Yeoh Seok Kian
Dato' (Dr) Yahya Bin Ismail
Dato' Ahmad Fuaad Bin Mohd Dahalan
Dato' Yeoh Seok Kah
Dato' Hj. Mohamed Zainal Abidin Bin Hj. Abdul Kadir
Eu Peng Meng @ Leslie Eu
Yeoh Keong Shyan

Manager's Report

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangement subsisted to which the Manager is a party, with the object or objects of enabling the Directors of the Manager to acquire benefits by means of the acquisition of units in or debentures of Starhill REIT or any other body corporate.

For the financial year ended 30 June 2013, no Director has received or become entitled to receive any benefit by reason of a contract made by the Manager for Starhill REIT or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in the notes to the financial statements.

DIRECTORS' INTERESTS

The following Directors of the Manager who held office at the end of the financial year had, according to the register of unitholdings in Starhill REIT, interests in the units of Starhill REIT as follows:-

	Balance at 01.07.2012	No. of units acquired	No. of units disposed	Balance at 30.06.2013
Direct interest				
Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE, FICE	870,000	–	–	870,000
Dato' Hj. Mohamed Zainal Abidin Bin Hj. Abdul Kadir	70,000	–	–	70,000
Indirect Interest				
Dato' Hj. Mohamed Zainal Abidin Bin Hj. Abdul Kadir	108,500,000*	–	–	108,500,000*

* Deemed interested by virtue of his interests in East-West Ventures Sdn. Bhd., Syarikat Pelancongan Pangkor Laut Sendirian Berhad and Tanjung Jara Beach Hotels Sdn. Bhd. pursuant to Section 6A of the Companies Act, 1965.

Other than as disclosed above, Directors who held office at the end of the financial year did not have interests in the units of Starhill REIT.

MANAGER'S REMUNERATION

Pursuant to the Deed, the Manager is entitled to receive from the Trust:-

- (i) a base fee (exclusive of GST, if any) of up to 1.0% per annum of the gross asset value of the Group;
- (ii) a performance fee (exclusive of GST, if any) of up to 5.0% of the Group's net property income, but before deduction of property management fees payable to any property manager appointed to manage any real estate;
- (iii) an acquisition fee of 1.0% of the acquisition price of any real estate or single-purpose company purchased for the Group (pro rated if applicable to the proportion of the interest of the Trust in the asset acquired); and
- (iv) a divestment fee of 0.5% of the sale price of any asset being real estate or a single-purpose company sold or diverted by the Group (pro rated if applicable to the proportion of the interest of the Trust in the asset sold).

The remuneration received by the Manager during the financial year is disclosed in Note 7 to the Financial Statements.

RESERVES AND PROVISIONS

There were no material transfers to and from reserves or provisions during the financial year other than as disclosed in the financial statements.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the financial statements of the Group and of the Trust were made out, the Manager took reasonable steps:-

- (a) to ascertain that proper action has been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts have been written off and that adequate allowance has been made for doubtful debts; and
- (b) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records of the Group and of the Trust in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this Report, the Manager is not aware of any circumstances:-

- (a) which would render the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Trust inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and of the Trust misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Trust misleading or inappropriate.

At the date of this Report, there does not exist:-

- (a) any charge on the assets of the Group and of the Trust which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability of the Group and of the Trust which has arisen since the end of the financial year.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors of the Manager, will or may affect the ability of the Group and of the Trust to meet its obligations as and when they fall due.

Manager's Report

OTHER STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

The Directors of the Manager state that:-

At the date of this Report, they are not aware of any circumstances not otherwise dealt with in this Report or the financial statements of the Group and of the Trust which would render any amount stated in the financial statements misleading.

In their opinion,

- (a) the results of the operations of the Group and of the Trust during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (b) there has not arisen in the interval between the end of the financial year and the date of this Report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Trust for the financial year in which this Report is made.

AUDITORS

The auditors, Messrs. HLB Ler Lum, Chartered Accountants, have expressed their willingness to continue in office.

Signed on behalf of the Board of Pintar Projek Sdn. Bhd. in accordance with a resolution of the Directors,

Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE, FICE

Dato' Yeoh Seok Kah

Dated: 1 August 2013

STATEMENT BY MANAGER

In the opinion of the Directors of PINTAR PROJEK SDN. BHD. (“Manager”), the accompanying financial statements are drawn up in accordance with Malaysian Financial Reporting Standards (“MFRS”), International Financial Reporting Standards, the Securities Commission Malaysia’s Guidelines on Real Estate Investment Trusts and the trust deed dated 18 November 2005 so as to give a true and fair view of the state of affairs of STARHILL REAL ESTATE INVESTMENT TRUST (the “TRUST”) and its subsidiaries (the “Group”) as at 30 June 2013 and of the results of operations and cash flows of the Group and of the Trust for the financial year ended on that date.

In the opinion of the Directors of the Manager, the supplementary information set out on page 120 have been compiled in accordance with the Guidance of Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Main Market Listing Requirements, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Signed on behalf of the Board of Pintar Projek Sdn. Bhd. in accordance with a resolution of the Directors,

Tan Sri Dato’ (Dr) Francis Yeoh Sock Ping, CBE, FICE

Dato’ Yeoh Seok Kah

Dated: 1 August 2013

STATUTORY DECLARATION

I, DATO’ YEOH SEOK KAH, being the Director of PINTAR PROJEK SDN. BHD. primarily responsible for the financial management of STARHILL REAL ESTATE INVESTMENT TRUST, do solemnly and sincerely declare that to the best of my knowledge and belief the accompanying financial statements are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Dato’ Yeoh Seok Kah

Subscribed and solemnly declared by the
abovenamed DATO’ YEOH SEOK KAH
at Kuala Lumpur on 1 August 2013

Before me:

Commissioner for Oaths

TRUSTEE'S REPORT

to the Unitholders of Starhill Real Estate Investment Trust

We have acted as Trustee of STARHILL REAL ESTATE INVESTMENT TRUST ("the Trust") for the financial year ended 30 June 2013. To the best of our knowledge, PINTAR PROJEK SDN. BHD. has managed the Trust in accordance with the roles and responsibilities and limitation imposed on the investment powers of the management company under the Trust Deed, the Securities Commission Malaysia's Guidelines on Real Estate Investment Trusts, the Capital Markets and Services Act 2007 and other applicable laws during the financial year ended 30 June 2013.

We are of the opinion that:

- (i) the valuation/pricing of the Trust's units are adequate and such valuation/pricing is carried out in accordance with the Deed and other regulatory requirements; and
- (ii) the income distributions declared and paid during the financial year ended 30 June 2013 are in line with and are reflective of the objectives of the Trust.

For Maybank Trustees Berhad,

Tony Chieng Siong Ung
Head, Operations

Dated: 1 August 2013
Kuala Lumpur

INDEPENDENT AUDITORS' REPORT

to the Unitholders of Starhill Real Estate Investment Trust

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of STARHILL REAL ESTATE INVESTMENT TRUST ("the Trust") and its subsidiaries ("the Group"), which comprise the Statements of Financial Position as at 30 June 2013 and the Statements of Comprehensive Income, Statements of Changes in Net Asset Value and Statements of Cash Flows of the Group and of the Trust for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 65 to 119.

DIRECTORS OF PINTAR PROJEK SDN. BHD.'S ("THE MANAGER") RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors of the Manager of the Trust are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards, the Securities Commission Malaysia's Guidelines on Real Estate Investment Trusts and the trust deed dated 18 November 2005. The Directors of the Manager are also responsible for such internal controls as the Directors of the Manager determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors of the Manager, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Trust as of 30 June 2013 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, the Securities Commission Malaysia's Guidelines on Real Estate Investment Trusts and the trust deed dated 18 November 2005.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out on page 120 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors of the Manager are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Main Market Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Independent Auditors' Report

to the Unitholders of Starhill Real Estate Investment Trust

OTHER MATTERS

1. As stated in Note 2(a) to the Financial Statements, STARHILL REAL ESTATE INVESTMENT TRUST adopted Malaysian Financial Reporting Standards on 1 July 2012 with a transition date of 1 July 2011. These standards were applied retrospectively by Directors of the Manager to the comparative information in these financial statements, including the Statements of Financial Position as at 30 June 2012 and 1 July 2011, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the financial year ended 30 June 2012 and related disclosures. We were not engaged to report on the restated comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Trust for the financial year ended 30 June 2013 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 July 2012 do not contain misstatements that materially affect the financial position as of 30 June 2013 and financial performance and cash flows for the year then ended.
2. This report is made solely to the unitholders of the Trust and for no other purpose. We do not assume responsibility to any other person for the content of this report.

HLB LER LUM

AF 0276

Chartered Accountants

LUM TUCK CHEONG

1005/3/15 (J/PH)

Chartered Accountant

Dated: 1 August 2013

Kuala Lumpur

STATEMENTS OF PROFIT OR LOSS

for the financial year ended 30 June 2013

	Note	Group		Trust	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Revenue					
– Hotel revenue	4	179,192	–	–	–
– Property revenue	4	112,829	80,860	97,426	72,612
Total revenue		292,021	80,860	97,426	72,612
Operating expenses					
– Hotel operating expenses	5	(103,646)	–	–	–
– Property operating expenses	5	(7,958)	(5,329)	(4,947)	(3,634)
Total operating expenses		(111,604)	(5,329)	(4,947)	(3,634)
Net property income		180,417	75,531	92,479	68,978
Finance income	6	3,555	17,292	69,936	22,812
Other income					
– gain on disposal of available-for-sale financial assets		–	19,564	–	19,564
– others		5,260	3,796	18	3,796
Expenses					
– Manager's fees	7	(7,247)	(3,345)	(7,247)	(3,345)
– Trustee's fees	8	(1,090)	(549)	(1,090)	(548)
– Finance costs	9	(46,949)	(8,583)	(46,949)	(8,583)
– Auditors' remuneration		(643)	(79)	(70)	(20)
– Tax agent's fees		(180)	(24)	(10)	(10)
– Valuation fees		–	(86)	–	(86)
– Depreciation		(45,053)	–	–	–
– Administration expenses	5	(31,675)	(1,194)	(1,055)	(316)
Total income before unrealised items		56,395	102,323	106,012	102,242
Unrealised items					
– fair value on investment property		–	5,000	–	5,000
– Unrealised (loss)/gain on foreign exchange		(153)	(59)	(126,935)	6,856
Profit/(Loss) before tax		56,242	107,264	(20,923)	114,098

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Profit or Loss

for the financial year ended 30 June 2013

	Note	Group		Trust	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Profit/(Loss) before tax		56,242	107,264	(20,923)	114,098
Income tax expense	10	(495)	(1,103)	(829)	(1,103)
Profit/(Loss) after tax		55,747	106,161	(21,752)	112,995
Distribution adjustments					
– Depreciation		45,053	–	–	–
– Net loss/(income) from foreign operations		4,230	(39)	–	–
– Unrealised foreign translation differences		153	15	126,935	(6,856)
– Unrealised gain on fair value of investment property		–	(5,000)	–	(5,000)
– Unrealised gain on fair value on trade receivables		–	(8)	–	(8)
Income available for distribution		105,183	101,129	105,183	101,131
Net income distribution					
– Interim income distribution of 3.5873 sen, paid on 28 February 2013 (2012: 4.0112 sen, paid on 28 February 2012)		47,510	53,124	47,510	53,124
– Final income distribution of 3.7930 sen (2012: 3.6247 sen, paid on 28 August 2012)		50,234	48,005	50,234	48,005
Income distribution per unit					
– Interim income distribution – Gross (sen)		3.5873	4.0112	3.5873	4.0112
– Final income distribution – Gross (sen)		3.7930	3.6247	3.7930	3.6247
Earnings/(Loss) per unit					
– after manager's fees (sen)	11	4.21	8.36	(1.64)	8.90
– before manager's fees (sen)	11	4.76	8.62	(1.10)	9.16

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF OTHER COMPREHENSIVE INCOME

for the financial year ended 30 June 2013

	Note	Group		Trust	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Profit/(Loss) after tax		55,747	106,161	(21,752)	112,995
Other comprehensive (loss)/income – currency translation differences		(157,471)	8,345	–	–
Total comprehensive (loss)/income		(101,724)	114,506	(21,752)	112,995
Profit/(Loss) after tax is made up as follows:-					
Realised and distributable		55,900	101,168	105,183	101,131
Unrealised items		(153)	4,993	(126,935)	11,864
		55,747	106,161	(21,752)	112,995
Total comprehensive (loss)/income is made up as follows:-					
Profit/(Loss) after tax		55,747	106,161	(21,752)	112,995
Unrealised currency translation differences		(157,471)	8,345	–	–
		(101,724)	114,506	(21,752)	112,995

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION

as at 30 June 2013

	Note	30.6.2013 RM'000	Group 30.6.2012 RM'000	1.7.2011 RM'000	30.6.2013 RM'000	Trust 30.6.2012 RM'000	1.7.2011 RM'000
ASSETS							
Non-current assets							
Investment properties	12	1,548,539	1,598,525	494,700	1,342,627	1,342,627	494,700
Property, plant and equipment	13	1,263,617	–	–	–	–	–
Investment in subsidiaries	14	–	–	–	344,792	61,960	–
Amount due from subsidiaries	14	–	–	–	1,198,083	194,339	–
Deferred tax assets	15	3,317	–	–	–	–	–
		2,815,473	1,598,525	494,700	2,885,502	1,598,926	494,700
Current assets							
Inventories	16	927	–	–	–	–	–
Trade receivables	17	8,267	850	1,477	787	850	1,477
Other receivables & prepayments	18	4,353	77,762	7,806	605	65,505	7,806
Available-for-sale financial assets	19	–	–	405,000	–	–	405,000
Amount due from subsidiaries	14	–	–	–	56,485	3,634	–
Deposits with licensed financial institution	20	107,370	91,344	676,460	89,029	91,344	676,460
Cash at bank		55,515	663	659	705	113	659
		176,432	170,619	1,091,402	147,611	161,446	1,091,402
Total assets		2,991,905	1,769,144	1,586,102	3,033,113	1,760,372	1,586,102

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Financial Position

as at 30 June 2013

	Note	30.6.2013 RM'000	Group 30.6.2012 RM'000	1.7.2011 RM'000	30.6.2013 RM'000	Trust 30.6.2012 RM'000	1.7.2011 RM'000
UNITHOLDERS' FUNDS AND LIABILITIES							
Unitholders' funds							
Unitholders' capital	21	1,291,395	1,291,395	1,145,895	1,291,395	1,291,395	1,145,895
Undistributed income		173,799	215,796	210,764	103,134	222,630	210,764
Currency translation reserves		(149,126)	8,345	-	-	-	-
Total unitholders' funds		1,316,068	1,515,536	1,356,659	1,394,529	1,514,025	1,356,659
Non-current liabilities							
Borrowing	22	1,575,469	180,000	180,000	1,575,469	180,000	180,000
Other payables	23	2,449	-	-	-	-	-
Deferred tax liabilities	15	285	-	-	-	-	-
		1,578,203	180,000	180,000	1,575,469	180,000	180,000
Current liabilities							
Trade payables	24	4,156	-	-	-	-	-
Other payables	23	43,144	25,603	11,730	12,881	18,342	11,730
Income tax liabilities		100	-	-	-	-	-
Provision for income distribution	25	50,234	48,005	37,713	50,234	48,005	37,713
		97,634	73,608	49,443	63,115	66,347	49,443
Total liabilities		1,675,837	253,608	229,443	1,638,584	246,347	229,443
Total unitholders' funds and liabilities		2,991,905	1,769,144	1,586,102	3,033,113	1,760,372	1,586,102
Net asset value ("NAV")		1,316,068	1,515,536	1,356,659	1,394,529	1,514,025	1,356,659
Number of units in circulation ('000)							
	21	1,324,389	1,324,389	1,178,889	1,324,389	1,324,389	1,178,889
NAV per unit (RM)							
- before income distribution		1.068	1.221	1.216	1.127	1.220	1.216
- after income distribution		0.994	1.144	1.151	1.053	1.143	1.151

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN NET ASSET VALUE

for the financial year ended 30 June 2013

Group	Unitholders' Capital RM'000	Distributable	<-----Non distributable----->		Total Unitholders' Funds RM'000
		Undistributed Realised Income RM'000	Unrealised Income RM'000	Currency Translation Reserves RM'000	
At 1 July 2011	1,145,895	172,172	38,592	–	1,356,659
Operations for the financial year ended 30 June 2012					
Profit for the year	–	101,168	4,993	–	106,161
Other comprehensive income	–	–	–	8,345	8,345
Total comprehensive income for the year	–	101,168	4,993	8,345	114,506
Unitholders transactions					
Issuance of new units	145,500	–	–	–	145,500
Distribution paid	–	(53,124)	–	–	(53,124)
Provision for income distribution (Note 25)	–	(48,005)	–	–	(48,005)
Increase/(Decrease) in net assets resulting from unitholders transactions	145,500	(101,129)	–	–	44,371
At 30 June 2012	1,291,395	172,211	43,585	8,345	1,515,536
At 1 July 2012	1,291,395	172,211	43,585	8,345	1,515,536
Operations for the financial year ended 30 June 2013					
Profit/(Loss) for the year	–	55,900	(153)	–	55,747
Other comprehensive loss	–	–	–	(157,471)	(157,471)
Total comprehensive income/(loss) for the year	–	55,900	(153)	(157,471)	(101,724)
Unitholders transactions					
Distribution paid	–	(47,510)	–	–	(47,510)
Provision for income distribution (Note 25)	–	(50,234)	–	–	(50,234)
Decrease in net assets resulting from unitholders transactions	–	(97,744)	–	–	(97,744)
At 30 June 2013	1,291,395	130,367	43,432	(149,126)	1,316,068

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Changes in Net Asset Value

for the financial year ended 30 June 2013

Trust	Unitholders' Capital RM'000	Distributable	<-----Non distributable----->	Currency Translation Reserves RM'000	Total Unitholders' Funds RM'000
		Undistributed Realised Income RM'000	Unrealised Income RM'000		
At 1 July 2011	1,145,895	172,172	38,592	–	1,356,659
Operations for the financial year ended 30 June 2012					
Profit for the year	–	101,131	11,864	–	112,995
Total comprehensive income for the year	–	101,131	11,864	–	112,995
Unitholders transactions					
Issuance of new units	145,500	–	–	–	145,500
Distribution paid	–	(53,124)	–	–	(53,124)
Provision for income distribution (Note 25)	–	(48,005)	–	–	(48,005)
Increase/(Decrease) in net assets resulting from unitholders transactions	145,500	(101,129)	–	–	44,371
At 30 June 2012	1,291,395	172,174	50,456	–	1,514,025
At 1 July 2012	1,291,395	172,174	50,456	–	1,514,025
Operations for the financial year ended 30 June 2013					
Profit/(Loss) for the year	–	105,183	(126,935)	–	(21,752)
Total comprehensive income/(loss) for the year	–	105,183	(126,935)	–	(21,752)
Unitholders transactions					
Distribution paid	–	(47,510)	–	–	(47,510)
Provision for income distribution (Note 25)	–	(50,234)	–	–	(50,234)
Decrease in net assets resulting from unitholders transactions	–	(97,744)	–	–	(97,744)
At 30 June 2013	1,291,395	179,613	(76,479)	–	1,394,529

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

for the financial year ended 30 June 2013

	Group		Trust	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(Loss) before tax	56,242	107,264	(20,923)	114,098
Adjustments for:-				
Depreciation of property, plant and equipment	45,053	–	–	–
Impairment loss on trade receivables – net	115	49	(26)	49
Interest income	(3,555)	(17,292)	(69,936)	(22,812)
Interest expense	46,119	8,573	46,119	8,573
Fair value on investment property	–	(5,000)	–	(5,000)
Loss on disposal of equipment	146	–	–	–
Unrealised loss/(gain) on foreign currency exchange	153	59	126,935	(6,856)
Gain on disposal of available-for-sale financial assets	–	(19,564)	–	(19,564)
Operating profit before changes in working capital	144,273	74,089	82,169	68,488
Increase in inventories	(927)	–	–	–
Decrease/(Increase) in receivables	60,930	(69,378)	232	(57,121)
Increase/(Decrease) in payables	25,564	3,328	(5,461)	(3,933)
Inter-company balances	–	–	(56,311)	(3,634)
Cash generated from operations	229,840	8,039	20,629	3,800
Income tax paid	(45)	–	–	–
Net cash from operating activities	229,795	8,039	20,629	3,800
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	2,726	16,189	69,107	21,709
Acquisition of investment properties (Notes to the Statements of Cash Flows (b))	–	(553,383)	–	(536,882)
Acquisition of property, plant and equipment	(1,388,766)	–	–	–
Proceeds from disposal of available-for-sale financial assets	–	42,675	–	42,675
Proceed from disposal of equipment	2	–	–	–
Shareholder loan drawdown	–	–	(1,065,415)	(17,554)
Shareholder loan repayment	–	–	2,675	–
Investment of additional shares in existing subsidiaries	–	–	(282,554)	–
Net cash used in investing activities	(1,386,038)	(494,519)	(1,276,187)	(490,052)

Statements of Cash Flows

for the financial year ended 30 June 2013

	Group		Trust	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES				
Interest paid	(46,119)	(8,573)	(46,119)	(8,573)
Distribution paid	(95,515)	(90,837)	(95,515)	(90,837)
Net proceed from borrowing	1,395,469	–	1,395,469	–
Net cash from/(used in) financing activities	1,253,835	(99,410)	1,253,835	(99,410)
Net changes in cash and cash equivalent	97,592	(585,890)	(1,723)	(585,662)
Effect on exchange rate changes	(26,714)	778	–	–
Cash and cash equivalents at beginning of the financial year	92,007	677,119	91,457	677,119
Cash and cash equivalents at end of the financial year	162,885	92,007	89,734	91,457

NOTES TO THE STATEMENT OF CASH FLOWS

(a) Cash and cash equivalents comprise:-

Deposits with licensed financial institution	107,370	91,344	89,029	91,344
Cash at bank	55,515	663	705	113
	162,885	92,007	89,734	91,457

(b) Acquisition of investment properties:-

By cash	–	553,383	–	536,882
By issuance of new units	–	145,500	–	145,500
By Convertible Preferred Units	–	381,890	–	150,000
Owing to vendor	–	10,545	–	10,545
	–	1,091,318	–	842,927

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The principal activity of Pintar Projek Sdn. Bhd., the Manager, is the management of real estate investment trusts.

Starhill Real Estate Investment Trust ("Starhill REIT" or the "Trust") was established on 18 November 2005 pursuant to a trust deed dated 18 November 2005 ("Deed") between the Manager and Maybank Trustees Berhad ("Trustee") and is categorised as a real property fund.

Starhill REIT was listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") on 16 December 2005 and is an income and growth type fund. The investment objective of Starhill REIT is to own and invest in real estate and real estate-related assets, whether directly or indirectly through the ownership of single-purpose companies whose principal assets comprise real estate.

The consolidated financial statements reported for the financial year ended 30 June 2013 relates to the Trust and its subsidiaries (the "Group").

The address of the registered office and principal place of business of the Manager is as follows:-

11th Floor, Yeoh Tiong Lay Plaza
55 Jalan Bukit Bintang
55100 Kuala Lumpur

The address of the principal place of business of the Trust is as follows:-

11th Floor, Yeoh Tiong Lay Plaza
55 Jalan Bukit Bintang
55100 Kuala Lumpur

2. BASIS OF PREPARATION

(a) Statement of Compliance

The financial statements of the Group and the Trust have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards, accounting principles generally acceptable in Malaysia, the Securities Commission Malaysia's Guidelines on Real Estate Investment Trusts ("SC") ("REIT Guidelines") and the trust deed dated 18 November 2005. These are the Group's and the Trust's first financial statements prepared in accordance with MFRSs and MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards has been applied.

In the previous financial years, the financial statements of the Group and the Trust were prepared in accordance with Financial Reporting Standards ("FRSs") in Malaysia. There were no financial impacts on transition to MFRSs.

(b) These financial statements have been prepared on the historical cost convention (unless stated otherwise in the significant accounting policies).

(c) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Trust's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand (RM'000), unless otherwise stated.

2. BASIS OF PREPARATION

(d) Changes in accounting policies

The Group and the Trust adopted the following standards of the MFRS Framework that were issued by the Malaysian Accounting Standards Board (“MASB”) for annual financial year beginning on or after 1 July 2012.

MFRSs and IC Interpretations (Including The Consequential Amendments)

MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards

MFRS 2 Share-based Payment

MFRS 3 Business Combinations

MFRS 4 Insurance Contracts

MFRS 5 Non-current Assets Held for Sale and Discontinued Operations

MFRS 6 Exploration for and Evaluation of Mineral Resources

MFRS 7 Financial Instruments: Disclosures

MFRS 8 Operating Segments

MFRS 101 Presentation of Financial Statements

Amendments to MFRS 101: Presentation of Items of Other Comprehensive Income

MFRS 102 Inventories

MFRS 107 Statement of Cash Flows

MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors

MFRS 110 Events After the Reporting Period

MFRS 111 Construction Contracts

MFRS 112 Income Taxes

MFRS 116 Property, Plant and Equipment

MFRS 117 Leases

MFRS 118 Revenue

MFRS 119 Employee Benefits

MFRS 120 Accounting for Government Grants and Disclosure of Government Assistance

MFRS 121 The Effects of Changes in Foreign Exchange Rates

MFRS 123 Borrowing Costs

MFRS 124 Related Party Disclosures

MFRS 126 Accounting and Reporting by Retirement Benefit Plans

MFRS 127 Consolidated and Separate Financial Statements

MFRS 128 Investments in Associates

MFRS 129 Financial Reporting in Hyperinflationary Economies

MFRS 131 Interests in Joint Ventures

MFRS 132 Financial Instruments: Presentation

MFRS 133 Earnings Per Share

MFRS 134 Interim Financial Reporting

MFRS 136 Impairment of Assets

MFRS 137 Provisions, Contingent Liabilities and Contingent Assets

MFRS 138 Intangible Assets

MFRS 139 Financial Instruments: Recognition and Measurement

Notes to the Financial Statements

2. BASIS OF PREPARATION (CONTINUED)

(d) Changes in accounting policies (continued)

MFRSs and IC Interpretations (Including The Consequential Amendments)

MFRS 140 Investment Property

MFRS 141 Agriculture

Improvements to MFRSs (2008)

Improvements to MFRSs (2009)

Improvements to MFRSs (2010)

IC Interpretation 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities

IC Interpretation 2 Members' Shares in Co-operative Entities and Similar Instruments

IC Interpretation 4 Determining Whether an Arrangement Contains a Lease

IC Interpretation 5 Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

IC Interpretation 6 Liabilities Arising from Participating in a Specific Market-Waste Electrical and Electronic Equipment

IC Interpretation 7 Applying the Restatement Approach under MFRS 129 Financial Reporting in Hyperinflationary Economies

IC Interpretation 9 Reassessment of Embedded Derivatives

IC Interpretation 10 Interim Financial Reporting and Impairment

IC Interpretation 12 Service Concession Arrangements

IC Interpretation 13 Customer Loyalty Programmes

IC Interpretation 14 MFRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

IC Interpretation 15 Agreements for the Construction of Real Estate

IC Interpretation 16 Hedges of a Net Investment in a Foreign Operation

IC Interpretation 17 Distributions of Non-cash Assets to Owners

IC Interpretation 18 Transfers of Assets from Customers

IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments

IC Interpretation 107 Introduction of the Euro

IC Interpretation 110 Government Assistance – No Specific Relation to Operating Activities

IC Interpretation 112 Consolidation – Special Purpose Entities

IC Interpretation 113 Jointly Controlled Entities – Non-Monetary Contributions by Venturers

IC Interpretation 115 Operating Leases – Incentives

IC Interpretation 125 Income Taxes – Changes in the Tax Status of an Entity or its Shareholders

IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease

IC Interpretation 129 Service Concession Arrangements: Disclosures

IC Interpretation 131 Revenue – Barter Transactions Involving Advertising Services

IC Interpretation 132 Intangible Assets – Web Site Costs

The adoption of these amendments to FRSs and IC Interpretations did not have any significant financial impact to the Group and the Trust.

2. BASIS OF PREPARATION (CONTINUED)**(e) The new or revised financial reporting standard not yet effective**

The following are accounting standards, amendments and interpretation of the MFRS Framework that have been issued by the MASB but have not been adopted by the Group and the Trust.

MFRSs and IC Interpretations (Including The Consequential Amendments)	Effective Date
MFRS 9 Financial Instruments	1 January 2015
MFRS 10 Consolidated Financial Statements	1 January 2013
MFRS 11 Joint Arrangements	1 January 2013
MFRS 12 Disclosure of Interests in Other Entities	1 January 2013
MFRS 13 Fair Value Measurement	1 January 2013
MFRS 119 Employee Benefits	1 January 2013
MFRS 127 Separate Financial Statements	1 January 2013
MFRS 128 Investments in Associates and Joint Ventures	1 January 2013
Amendments to MFRS 1: Government Loans	1 January 2013
Amendments to MFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to MFRS 9: Mandatory Effective Date of MFRS 9 and Transition Disclosures	1 January 2015
Amendments to MFRS 10, MFRS 11 and MFRS 12: Transition Guidance	1 January 2013
Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities	1 January 2014
Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities	1 January 2014
IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Annual Improvements to MFRSs 2009 – 2011 Cycle	1 January 2013

The Group and the Trust are in the process of assessing the impact of implementing these standards, amendments and interpretations since the effects would only be observable for the financial year ending 30 June 2014.

(f) Use of estimates and judgments

The preparation of the financial statements in conformity with FRSs requires the Directors of the Manager to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Notes to the Financial Statements

2. BASIS OF PREPARATION (CONTINUED)

(f) Use of estimates and judgments (continued)

There are no significant areas of estimation uncertainty and critical judgments in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed below:-

(i) Provisions

The Trust recognises provisions when it has a present legal or constructive obligation arising as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. The recording of provisions requires the application of judgments about the ultimate resolution of these obligations. As a result, provisions are reviewed at each reporting date and adjusted to reflect the Trust's current best estimate.

(ii) Impairment loss on trade receivables

The Group and the Trust assess at each reporting date whether there is objective evidence that trade receivables have been impaired. Impairment loss is calculated based on a review of the current status of existing receivables and historical collections experience. Such provisions are adjusted periodically to reflect the actual and anticipated impairment.

(iii) Depreciation of property, plant and equipment

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial and production factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions. The Group anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount.

Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(iv) Fair value estimates for investment properties

The Group and the Trust carry investment properties at fair value, which requires extensive use of accounting estimates and judgements. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group and the Trust use different valuation methodologies. Any changes in fair value of these investment properties would affect profit or loss.

(g) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Trust and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Trust. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full except for unrealised losses, which are eliminated if there are indications of impairment.

2. BASIS OF PREPARATION (CONTINUED)

(g) Basis of consolidation (continued)

Acquisitions of subsidiaries are accounted for by applying the purchase method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in other comprehensive income. The costs of a business combination is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus and costs directly attributable to the business combination. Any excess of the cost of business combination over the Group's share is the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill of the Statement of Financial Position.

Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in profit or loss on the date of acquisition.

When the Group acquires a business, embedded derivatives separated from the host contract by the acquiree are reassessed on acquisition unless the business combination results in a change in terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract. Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Investment properties

(i) Investment properties carried at fair value

Investment properties consist of freehold and leasehold land & buildings which are held for long term rental yield or for capital appreciation or both.

Investment properties are measured initially at cost and subsequently at fair value with any change therein recognised in profit or loss for the period in which they arise.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

A property interest held under operating lease is classified and accounted for as investment property as the Group holds it to earn rental income or for capital appreciation or both.

(ii) Determination of fair value

An external, independent valuation firm, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Group's investment property portfolio at least once in every 3 years from the last valuation, in compliance with the SC's REIT Guidelines.

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Notes to the Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Investment properties (continued)

(ii) Determination of fair value (continued)

In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows is then applied to the net annual cash flows to arrive at the property valuation.

Valuations reflect, where appropriate:-

- the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, and the market's general perception of their creditworthiness;
- the allocation of maintenance and insurance responsibilities between the Group and the lessee; and
- the remaining economic life of the property.

When lease renewals are pending with anticipated reversionary increases, it is assumed that all notices and where appropriate counter-notices have been served validly and within the appropriate time.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

Any increase or decrease arising from changes in the fair value is credited or charged directly to profit or loss as a net appreciation or depreciation in the value of the investment properties.

(b) Leases

(i) Operating leases – as lessee

Leases of assets where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in the profit or loss on a straight-line basis over the period of the lease.

(ii) Operating leases – as lessor

Leases of properties where the Group and the Trust retain substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in the profit or loss on a straight-line basis over the lease term.

(c) Property, plant & equipment and depreciation

Property, plant & equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items.

Freehold land and buildings are initially recognised at cost. Freehold land is subsequently carried at the revalued amount less accumulated impairment losses. Buildings are subsequently carried at the revalued amounts less accumulated depreciation and accumulated impairment losses. Valuations are performed with sufficient frequency to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss during the financial year in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Property, plant & equipment and depreciation (continued)

Depreciation on property, plant & equipment is calculated on the straight line basis at rates required to write off the cost of the property, plant & equipment over their estimated useful lives.

The principal annual rates of depreciation used are as follows:-

Buildings	4%
Equipment	4% – 25%
Other assets	19%

Residual values, useful life and depreciation method of assets are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant & equipment.

Gains and losses on disposals are determined by comparing net disposal proceeds with net carrying amount and are recognised in the profit or loss.

A revaluation surplus is recorded in other comprehensive income and credited to the asset revaluation reserve in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit and loss. A revaluation deficit is recognised in the profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

(d) Impairment of non-financial assets

The carrying amounts of assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there is separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

An impairment loss is charged to the profit or loss immediately, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of previously recognised revaluation surplus for the same asset.

Any subsequent increase in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the profit or loss immediately, unless the asset is carried at revalued amount. A reversal of an impairment loss on a revalued asset is credited directly to revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the profit or loss, a reversal of that impairment loss is recognised as income in the profit or loss.

Notes to the Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is based on the first-in first out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

(f) Investment in subsidiaries

A subsidiary is an entity over which the Group has power to govern the financial and operating policies so as to obtain benefits from their activities.

The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

In the Trust's separate financial statements, investments in subsidiaries accounted for at cost less accumulated impairment losses. On disposal of investments in subsidiaries, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit and loss.

(g) Financial assets

Financial assets are recognised in the Statements of Financial Position when, and only when, the Group and the Trust become a party to the contractual provisions of the instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of a financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Trust determine the classification of their financial assets at initial recognition, and the categories include loans and receivables and available-for-sale financial assets.

(i) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in the profit or loss when loans and receivables are derecognised or impaired, and through the amortisation process.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are financial assets that are designated as available-for-sale or are not classified in any of the other categories.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial assets (continued)

(ii) Available-for-sale financial assets (continued)

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial assets are derecognised. Interest income calculated using instrument is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group's and the Trust's right to receive payment is established.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

(h) Impairment of financial assets

The Group and the Trust assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

(i) Loans and receivables

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

(ii) Available-for-sale financial assets

In the case of available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is taken as evidence that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss is removed from equity and recognised in the profit or loss.

(i) Cash and cash equivalents

Cash and cash equivalents consist of cash at bank and deposits with licensed financial institutions.

Cash and cash equivalents are categorised and measured as loans and receivables in accordance with policy Note 3(g).

Notes to the Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Interest-bearing borrowings

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(k) Financial liabilities

Financial liabilities are classified according to the substance of the contract agreements entered into and the definitions of a financial liability.

Financial liabilities are recognised in the Statements of Financial Position when, and only when, the Group and the Trust become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Other financial liabilities

The Group's and the Trust's other financial liabilities include trade and other payables and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished.

(l) Provisions

A provision is recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation (legal or constructive) as a result of a past event and a reliable estimate can be made of the amount. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Provisions for income distribution

Provisions for income distribution is recognised when any distribution is declared, determined or publicly recommended by the Directors of the Manager and but not distributed at the reporting date.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Income tax and deferred tax

Income tax on the profit or loss for the financial year comprises current and deferred tax.

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the financial year and is measured using the tax rates that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributable to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences or unabsorbed tax losses can be utilised.

Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted at the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

(n) Revenue recognition

Revenue is recognised when it is probable that the future economic benefits will flow to the Group and the benefits can be reliably measured.

(i) Rental of room

Revenue from room rental is recognised on the accrual basis.

(ii) Rental income and other related charges

Rental income is recognised in profit or loss on a straight-line basis over the term of the lease.

(iii) Car park income

Car park income is recognised in the profit or loss on accrual basis.

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss.

(v) Sales of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyers.

(vi) Rendering of services

Revenue is recognised when the services are rendered.

Notes to the Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Employee benefits

(i) Short term employee benefits

Wages, salaries, social security contributions, paid annual leave, paid sick leave, bonuses and non-monetary benefits are recognised as an expense in the financial year when employees have rendered their services to the Group.

Short term accumulating compensated absences such as paid annual leave are recognised as expenses when employees render services that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

Bonuses are recognised as an expense when there is a present, legal or constructive obligation to make such payments, as a result of past events and when a reliable estimate can be made of the amount of the obligation.

(ii) Post-employment benefits

The Group has various post-employment benefit schemes in accordance with local conditions and practices in the industries in which it operates. These benefit plans are either defined contribution or defined benefit plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation.

Defined contribution plan

The Group's contributions to a defined contribution plan are charged to the profit or loss in the period to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

(p) Foreign currency

(i) Functional and presentation currency

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Ringgit Malaysia, which is also the Trust's functional and presentation currency.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Foreign currency (continued)

(ii) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currency using exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a cash flow hedge of currency risk, which are recognised in other comprehensive income.

(iii) Foreign operations

The assets and liabilities of foreign operations are translated into RM at the rate exchange ruling at the reporting date and income and expenses are translated at exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in the profit or loss.

(q) Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker who is responsible for allocating resources and assessing performance of the operating segments.

Notes to the Financial Statements

4. REVENUE

	Group		Trust	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Hotel revenue				
– Rental of room	133,673	–	–	–
– Food and beverage income	38,328	–	–	–
– Other hotel operating income	7,191	–	–	–
	179,192	–	–	–
Property revenue				
– Lease rental income	111,153	79,313	95,750	71,065
– Car park income	1,676	1,596	1,676	1,596
Gross property revenue	112,829	80,909	97,426	72,661
Less: Impairment loss on trade receivables	–	(49)	–	(49)
	112,829	80,860	97,426	72,612
Total revenue	292,021	80,860	97,426	72,612

5. OPERATING EXPENSES

	Group		Trust	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Hotel operating expenses				
– Operating expenses	78,651	–	–	–
– Repair and maintenance expenses	6,524	–	–	–
– Utilities	4,912	–	–	–
– Property taxes	3,538	–	–	–
– Insurance	371	–	–	–
– Other direct expenses	9,650	–	–	–
	103,646	–	–	–
Property operating expenses				
– Property taxes	5,694	4,166	3,557	2,929
– Insurance	2,140	1,147	1,265	689
– Lease rental	11	7	11	7
– Property maintenance	113	9	114	9
	7,958	5,329	4,947	3,634
Total operating expenses	111,604	5,329	4,947	3,634

5. OPERATING EXPENSES (CONTINUED)

The staff benefit expense is in respect of the following:-

	Group		Trust	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Salaries, wages and bonus	46,725	–	–	–
Defined contribution plan	17,017	–	–	–
	63,742	–	–	–

The staff benefit expense is recognised in the following line items in the statement of profit or loss:-

	Group		Trust	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Hotel operating expenses	51,401	–	–	–
Administrative expenses	12,341	–	–	–
	63,742	–	–	–

6. FINANCE INCOME

	Group		Trust	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Financial institution deposits interests	3,555	10,435	2,195	10,435
Interests on available-for-sale financial assets	–	6,857	–	6,857
Shareholder loan interests	–	–	67,741	5,520
Finance income	3,555	17,292	69,936	22,812

7. MANAGER'S FEES

Fees paid and payable to the Manager during the financial year comprise:-

	Group		Trust	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
(i) Base fee	3,632	1,829	3,632	1,829
(ii) Performance fee	3,615	1,516	3,615	1,516
(iii) Acquisition fee	–	–	–	–
	7,247	3,345	7,247	3,345

Notes to the Financial Statements

7. MANAGER'S FEES (CONTINUED)

- (i) Pursuant to the Deed, the base fee, accrued monthly represents 0.1% per annum of the gross asset value of the Group;
- (ii) Pursuant to the Deed, the performance fee represents 2% of the net property income of the Group recorded during the financial year; and
- (iii) Pursuant to the Deed, the acquisition fee represents 1% of the sale price of the asset acquired.

Included in the acquisition fee is the amount of RM13,206,586 (2012: RM10,762,720) incurred and capitalised as part of the incidental costs to the Group for the acquisition of properties.

8. TRUSTEE'S FEES

Pursuant to the Deed, the Trustee's fees, accrued monthly, paid and payable to the Trustee, represents 0.03% per annum of the gross asset value of the Group.

9. FINANCE COSTS

	Group		Trust	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Interest expense on term loan (Note 22)	46,119	8,573	46,119	8,573
Incidental cost incurred to administer the term loan facility:-				
– Facility fee	10	10	10	10
– Amortisation of transaction costs	820	–	820	–
	46,949	8,583	46,949	8,583

10. INCOME TAX EXPENSE

	Group		Trust	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Current income tax				
– Withholding taxes	829	1,103	829	1,103
– Malaysian income tax	18	–	–	–
– Foreign income tax	127	–	–	–
Deferred tax (Note 15)				
– Origination and reversal of temporary differences	(479)	–	–	–
	495	1,103	829	1,103

The withholding taxes are taxes withheld from the foreign interest income received from shareholder loan interest and available-for-sale financial assets.

The Trust has provided approximately 93% (2012: 100%) of the distributable income to unitholders, which is more than 90% of the taxable income, which income at the Trust level is exempted from tax in accordance with the amended Section 61A of Income Tax Act 1967.

Notes to the Financial Statements

10. INCOME TAX EXPENSE – (CONTINUED)

A reconciliation of income tax expense applicable to profit/(loss) before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and the Trust is as follows:-

	Group		Trust	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Profit/(Loss) before tax	56,242	107,264	(20,923)	114,098
Income tax using Malaysian statutory tax rate of 25% (2012: 25%)	14,060	26,816	(5,231)	28,525
Expenses not deductible for tax purposes	15,070	251	34,292	251
Utilisation of capital allowances	(5,310)	(8,163)	(5,310)	(8,163)
Income exempted from tax	(2,680)	(10,594)	(2,680)	(10,594)
Income not subject to tax	(20,998)	(7,207)	(20,242)	(8,916)
Different tax rates in other countries	353	–	–	–
Income tax expense	495	1,103	829	1,103

11. EARNINGS/(LOSS) PER UNIT

	Group		Trust	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Income/(Loss) for the year after manager's fees	55,747	106,161	(21,752)	112,995
Income/(Loss) for the year before manager's fees	62,994	109,506	(14,505)	116,340
Weighted average number of units ('000)	1,324,389	1,269,926	1,324,389	1,269,926
Earnings/(Loss) per unit after manager's fees (sen)	4.21	8.36	(1.64)	8.90
Earnings/(Loss) per unit before manager's fees (sen)	4.76	8.62	(1.10)	9.16

12. INVESTMENT PROPERTIES

	Group		Trust	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
At beginning of the financial year	1,598,525	494,700	1,342,627	494,700
Acquisition	–	1,091,318	–	842,927
Change in fair value	–	5,000	–	5,000
Currency translation differences	(49,986)	7,507	–	–
At end of the financial year	1,548,539	1,598,525	1,342,627	1,342,627

Notes to the Financial Statements

12. INVESTMENT PROPERTIES (CONTINUED)

	Group		Trust	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Analysis of investment properties:-				
Freehold land & building	1,133,717	1,183,703	927,805	927,805
Leasehold land & building	414,822	414,822	414,822	414,822
	1,548,539	1,598,525	1,342,627	1,342,627

Based on annual valuation exercise conducted by the management on 30 June 2013, the fair value of the investment properties are as follows:-

Description of property	Tenure	Fair value	% of fair value	Fair value	% of fair value
		as at 30.6.2013 RM'000	to Net Asset Value as at 30.6.2013 %	as at 30.6.2012 RM'000	to Net Asset Value as at 30.6.2012 %
JW Marriott Hotel, Kuala Lumpur	Freehold	349,700	26.6	349,700	23.1
The Residences at The Ritz-Carlton, Kuala Lumpur (60 units)	Freehold	150,000	11.4	150,000	9.9
The Residences at The Ritz-Carlton, Kuala Lumpur (54 units)	Freehold	73,881	5.6	73,881	4.9
The Ritz Carlton, Kuala Lumpur	Freehold	253,017	19.2	253,017	16.7
Pangkor Laut Resort	Leasehold	98,365	7.5	98,365	6.5
Tanjong Jara Resort	Leasehold	88,050	6.7	88,050	5.8
Vistana Kuala Lumpur	Freehold	101,207	7.7	101,207	6.7
Vistana Penang	Leasehold	101,778	7.7	101,778	6.7
Vistana Kuantan	Leasehold	75,980	5.8	75,980	5.0
Cameron Highlands Resort	Leasehold	50,649	3.8	50,649	3.3
Hilton Niseko	Freehold	205,912	15.6	255,898	16.9
		1,548,539		1,598,525	

12. INVESTMENT PROPERTIES (CONTINUED)

The following are recognised in profit or loss in respect of investment properties:-

	Group		Trust	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Rental income	112,829	80,909	97,426	72,661
Direct operating expenses:				
– income generating investment properties	(7,958)	(5,329)	(4,947)	(3,634)

Investment properties with carrying amount of RM1,549 million (2012: RM500 million) are charged as security for a term loan granted to the Trust as disclosed in Note 22 to the Financial Statements.

13. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM'000	Buildings RM'000	Equipment RM'000	Other assets RM'000	Total RM'000
Cost					
At 1.7.2012	–	–	–	–	–
Additions	162,807	925,932	242,981	57,046	1,388,766
Disposal	–	–	(95)	(69)	(164)
Currency translation differences	(9,688)	(55,097)	(14,453)	(3,390)	(82,628)
At 30.6.2013	153,119	870,835	228,433	53,587	1,305,974
Accumulated depreciation					
At 1.7.2012	–	–	–	–	–
Charge for the financial year	–	21,606	12,997	10,450	45,053
Disposal	–	–	(4)	(12)	(16)
Currency translation differences	–	(1,285)	(774)	(621)	(2,680)
At 30.6.2013	–	20,321	12,219	9,817	42,357
Net book value					
At 30.6.2013	153,119	850,514	216,214	43,770	1,263,617

Notes to the Financial Statements

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Based on annual valuation exercise conducted by the management on 30 June 2013, the fair value of the property, plant and equipment are as follows:-

Description of property	Tenure	% of fair value to Net Asset		% of fair value to Net Asset	
		Fair value as at 30.6.2013 RM'000	Value as at 30.6.2013 %	Fair value as at 30.6.2012 RM'000	Value as at 30.6.2012 %
Sydney Harbour Marriott	Freehold	756,024	57.4	-	-
Brisbane Marriott	Freehold	346,581	26.3	-	-
Melbourne Marriott	Freehold	161,012	12.2	-	-
		<u>1,263,617</u>		<u>-</u>	

Property, plant and equipment at net book value amounting to RM1,264 million (2012: Nil) are charged as security for a term loan granted to the Trust as disclosed in Note 22 to the Financial Statements.

14. INVESTMENT IN SUBSIDIARIES

	Trust	
	2013 RM'000	2012 RM'000
Unquoted shares, at costs	344,792	61,960

The details of subsidiaries are as follows:-

Name of subsidiary	Place of incorporation	Principal activities	Effective Equity interest	
			2013 %	2012 %
Held by the Trust				
Starhill REIT Niseko G.K.	Japan	Purchase, possession, disposal, lease and management of real properties	100	100
Starhill Hospitality REIT (Australia) Sdn. Bhd.	Malaysia	Investment holding	100	100
Starhill Hotel (Australia) Sdn. Bhd.	Malaysia	Investment holding	-	100
Starhill REIT (Australia) Pty. Ltd.	Australia	Trustee company	-	100
Starhill Hospitality (Australia) Pty. Ltd.	Australia	Trustee company	-	100

14. INVESTMENT IN SUBSIDIARIES (CONTINUED)

The details of subsidiaries are as follows:-

Name of subsidiary	Place of incorporation	Principal activities	Effective Equity interest	
			2013 %	2012 %
Held through Starhill Hospitality REIT (Australia) Sdn. Bhd.				
Starhill Hotel (Australia) Sdn. Bhd.	Malaysia	Investment holding	100	–
Starhill REIT (Australia) Pty. Ltd.	Australia	Trustee company	100	–
Starhill Hospitality (Australia) Pty. Ltd.	Australia	Trustee company	100	–
Starhill Hospitality REIT (Australia) Trust	Australia	Real estate investment	100	100
Held through Starhill Hotel (Australia) Sdn. Bhd.				
Starhill Hotel (Brisbane) Pty. Ltd.	Australia	Hotel operator	100	100
Starhill Hotel (Sydney) Pty. Ltd.	Australia	Hotel operator	100	100
Starhill Hotel (Melbourne) Pty. Ltd.	Australia	Hotel operator	100	100
Held through Starhill Hospitality REIT (Australia) Trust				
Starhill Hospitality REIT (Brisbane) Trust	Australia	Real estate investment	100	100
Starhill Hospitality REIT (Sydney) Trust	Australia	Real estate investment	100	100
Starhill Hospitality REIT (Melbourne) Trust	Australia	Real estate investment	100	100

The amounts due from subsidiaries pertain mainly to shareholder loans, loan interest, advances and payments on behalf. The outstanding amounts are unsecured, interest free and payable on demand save for shareholder loans. The shareholder loans in foreign currencies with tenure of ten and fifteen years bear interest at rates of 8.86% and 5% (2012: 5%) per annum respectively, interest is payable quarterly and monthly respectively. The shareholder loans shall be repaid by way of a bullet repayment on maturity date. Upon maturity, the Trust allows the shareholder loans to be renewed for another ten and fifteen years respectively, where the interest rate is mutually agreed upon in the later stage.

Notes to the Financial Statements

15. DEFERRED TAX ASSETS/(LIABILITIES)

	2013 RM'000	Group 2012 RM'000
At beginning of the financial year	–	–
Arising from the acquisition	2,553	–
Credited to profit or loss (Note 10)	479	–
At end of the financial year	3,032	–

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off income tax assets against income tax liabilities and when deferred taxes relate to the same tax authority. The following amounts determined after appropriate offsetting are shown in the Statement of Financial Position:-

	2013 RM'000	Group 2012 RM'000
Deferred tax provided are in respect of:-		
Deferred tax assets		
Receivables	211	–
Accruals	3,076	–
Others	30	–
	3,317	–
Deferred tax liabilities		
Prepayments	(284)	–
Other assets	(1)	–
	(285)	–

16. INVENTORIES

	2013 RM'000	Group 2012 RM'000
Beverage inventories	677	–
Operating inventories	250	–
	927	–

The Group's cost of inventories recognised as expenses and included in "hotel operating expenses" amounted to approximately RM2,988,000 (2012: Nil).

17. TRADE RECEIVABLES

	Group		Trust	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Trade receivables	11,196	3,664	3,575	3,664
Less: Impairment loss on trade receivables	(2,929)	(2,814)	(2,788)	(2,814)
	8,267	850	787	850

The movements in the allowance for impairment during the financial year were:-

	Group		Trust	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
At beginning of the financial year	2,814	2,794	2,814	2,794
Charge for the year	141	58	–	58
Changes in fair value of trade receivables	–	(8)	–	(8)
Reversal of impairment losses	(26)	(30)	(26)	(30)
At end of the financial year	2,929	2,814	2,788	2,814

The amounts due from the companies related to the Manager, which amounted to RM139,685 (2012: RM172,401) relates to rental and other charges due in respect of agreements and are subject to normal trade terms.

The normal trade credit terms of trade receivables range from 15 to 30 days.

The ageing of analysis of the Group's and the Trust's trade receivables is as follows:-

	Gross RM'000	Individual impairment RM'000	Net RM'000
Group – 2013			
Not past due	7,753	(141)	7,612
Past due 151-180 days	8	–	8
Past due more than 180 days	3,435	(2,788)	647
Trust – 2013			
Not past due	140	–	140
Past due more than 180 days	3,435	(2,788)	647
Group/Trust – 2012			
Not past due	173	–	173
Past due more than 180 days	3,491	(2,814)	677

The allowance account in respect of receivables is used to record impairment losses. At the end of the financial year, the Group and the Trust are satisfied that recovery of the amount is possible.

Notes to the Financial Statements

18. OTHER RECEIVABLES & PREPAYMENTS

	Group		Trust	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Deposit	–	64,757	–	64,757
Other receivables	2,418	12,078	443	557
Prepayments	1,935	927	162	191
	4,353	77,762	605	65,505

Included in the other receivables of the Group is RM1,042,853 (2012: Nil) recoverable from Australian tax authorities for withholding tax on foreign source distribution received by a subsidiary.

Included in the deposit is the amount paid to the vendor as deposit for the acquisition of Australian Properties as disclosed in Note 35 to the Financial Statements.

The amounts due from the companies related to the Manager, which amounted to RM675,978 (2012: RM456,183) are unsecured, interest free and receivable on demand.

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS

173,062,575 Convertible Preferred Unit (“CPU”) in Starhill Global Real Estate Investment Trust (“SG REIT”) at SGD1.00 per CPU were received on 28 June 2010 as part of sales consideration for the disposal of the retail properties. The principal terms of the CPU are as follows:-

- (a) Subject to the discretion of SG REIT’s Manager, the CPU holders are entitled to receive a discretionary, non-cumulative variable SGD coupon distribution of up to RM0.1322 per CPU, which is equivalent to a distribution rate of 5.65% per annum assuming the CPU distribution is paid in full and based on RM amount of the CPU determined on the date of issuance of the CPU;
- (b) Any CPU distribution or part thereof not due or payable shall not accumulate for the benefit of the CPU holders or entitle the CPU holders to any claims in respect thereof against SG REIT, its Trustee and/or its Manager;
- (c) The CPU rank senior to the units in SG REIT in respect of the entitlement to participate in the distribution of SG REIT and rank senior to the units in respect of the entitlement to receive out of the asset of SG REIT in the event of the commencement of any dissolution or winding up of SG REIT. Upon the dissolution of SG REIT, CPU holders are entitled to receive an amount equivalent to the sum of (i) the number of CPU held by the CPU holder multiplied by the issue price and (ii) any outstanding CPU and special CPU distributions;
- (d) The CPU holder have the right to convert the CPU after a period of three years commencing from the date of issuance of the CPU at a conversion price of SGD0.7266 per unit determined at the date of issuance of the CPU. Any CPU remaining in existence after seven years from the date of issuance of the CPU shall be mandatorily converted into SG REIT units at the conversion price;
- (e) The CPU holders do not have a right to attend and vote at meetings of unitholders except during such periods as the CPU or special CPU distribution remains in arrears and unpaid for at least 12 months, or in respect of any resolution which varies or abrogates any right, preference or privilege of the CPU, or in respect of any resolution for the dissolution or winding up of SG REIT; and

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)

- (f) SG REIT's Manager shall have the sole right to redeem any number of CPU on a pro rata basis at the issue price after a period of three years commencing from the date of issuance of the CPU.

During the previous financial year, the Trust utilised RM364,050,525 nominal values to satisfy part of the purchase consideration for the acquisition of hospitality properties as disclosed in Note 35 to the Financial Statements and disposed all remaining CPUs to YTL Corporation Berhad, the holding company of the Manager.

20. DEPOSITS WITH LICENSED FINANCIAL INSTITUTION

The effective interest rate of deposits placed with a licensed bank of the Group and of the Trust were 3.0% and 3.1% (2012: 3.1% and 3.1%) per annum, respectively.

The average maturities of deposits of the Group and of the Trust ranged from 1 day to 32 days (2012: 1 day to 35 days).

Included in deposits with licensed financial institution is RM13,574,329 (2012: Nil) pledged for a bank facility granted to the Trust as stated in Note 22 to the Financial Statements.

21. UNITHOLDERS' CAPITAL

	2013 No. of units '000	2012 No. of units '000
Authorised:-		
At beginning of the financial year	1,324,389	1,178,889
Issuance of new units	–	145,500
At end of the financial year	1,324,389	1,324,389
Issued and fully paid:-		
At beginning of the financial year	1,324,389	1,178,889
Issuance of new units	–	145,500
At end of the financial year	1,324,389	1,324,389
	2013 RM'000	2012 RM'000
Issued and fully paid:-		
At beginning of the financial year	1,291,395	1,145,895
Issuance of new units	–	145,500
At end of the financial year	1,291,395	1,291,395

Notes to the Financial Statements

22. BORROWING – SECURED

	Group		Trust	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Non-current				
– Term loan	1,581,800	180,000	1,581,800	180,000
– Capitalised transaction costs	(6,331)	–	(6,331)	–
	1,575,469	180,000	1,575,469	180,000

In previous year, a term loan of RM180,000,000 with tenure of five years and bearing a fixed interest rate of 4.75% per annum was secured by a first fixed charge over certain investment properties as disclosed in Note 12 to the Financial Statements. The term loan was fully repaid during the financial year.

On 23 November 2012, a new term loan of RM1,581,800,000 was drawn by the Trust. The facility bears a weighted average interest rate of 4.52% per annum and is secured by:

- (a) a first legal charge over properties as disclosed in Notes 12 and 13 to the Financial Statements;
- (b) an assignment of fire insurance policies in relation to the secured properties; and
- (c) a Memorandum of Deposit over the fixed deposit of the Trust as disclosed in Note 20 to the Financial Statements.

The borrowing shall be repaid by bullet payment in full on 23 November 2017.

23. OTHER PAYABLES

	Group		Trust	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Non-current				
Other payables	2,449	–	–	–

Included in the other payables is the long service leave of approximately RM2,328,000.

	Group		Trust	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Current				
Other payables	6,048	17,313	244	11,100
Accruals	31,830	8,290	12,637	7,242
Deposit received	5,266	–	–	–
	43,144	25,603	12,881	18,342

23. OTHER PAYABLES – (CONTINUED)

Included in the other payables in the previous year is the amount owing to the vendor of Tanjong Jara Resort amounted to RM10,757,095, comprise the deferred consideration sum of RM10,545,455 and the interest income accrued as disclosed in Note 35 to the Financial Statements.

The amounts due by the Group and the Trust to the Manager and the companies related to the Manager, which amounted to RM8,027,337 and RM8,022,395 (2012: RM6,952,902 and RM6,952,902), respectively, are unsecured, interest free and payable on demand.

24. TRADE PAYABLES

The credit terms of trade payables granted to the Group vary from 15 to 30 days.

25. PROVISION FOR INCOME DISTRIBUTION

	Group		Trust	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
At beginning of the financial year	48,005	37,713	48,005	37,713
Provision made during the financial year	97,744	101,129	97,744	101,129
Distribution paid during the financial year	(95,515)	(90,837)	(95,515)	(90,837)
At end of the financial year	50,234	48,005	50,234	48,005

Pursuant to the Deed, it is the policy of the Manager to distribute at least 90% of the distributable income for each financial year.

For the financial year ended 30 June 2013, the Manager has declared a final income distribution of 3.7930 sen per unit (2012: 3.6247 sen per unit), totaling RM50,234,070 (2012: RM48,005,124). Total distribution paid and declared for the financial year ended 30 June 2013 is 7.3803 sen per unit, totaling RM97,743,873, representing approximately 93% of the realised and distributable income after tax (2012: 7.6359 sen per unit, totaling RM101,129,011).

Notes to the Financial Statements

25. PROVISION FOR INCOME DISTRIBUTION (CONTINUED)

Distribution to unitholders is from the following sources:-

	2013 RM'000	Group 2012 RM'000
Net property income	180,417	75,531
Finance income	3,555	17,292
Other income	5,260	28,360
	189,232	121,183
Less: Expenses	(132,990)	(13,919)
Less: Income tax expense	(495)	(1,103)
	55,747	106,161
Add/(Less):-		
Unrealised gain on fair value of investment property	-	(5,000)
Unrealised loss on foreign currency exchange	153	15
Unrealised gain on fair value of trade receivables	-	(8)
Dividend not received from overseas operation	4,230	(39)
Depreciation	45,053	-
Income available for distribution/Total distributable income	105,183	101,129
Less: Income distribution	(97,744)	(101,129)
Undistributed distributable income	7,439	-
Distributable income per unit (sen)	7.9420	7.6359
Gross distribution per unit (sen)	7.3803	7.6359
Net distribution per unit (sen)	7.3803	7.6359

26. TRANSACTIONS WITH STOCKBROKING COMPANIES

No transactions with stockbroking companies were made during the financial year.

27. UNITHOLDING BY THE MANAGER

As at 30 June 2013, the Manager did not hold any unit in the Trust.

28. UNITHOLDERS RELATED TO THE MANAGER

<----- 2013 ----->			
	No. of units held '000	Percentage of total units %	Market Value RM'000
YTL Corporation Berhad	747,464	56.44	792,312
YTL Power International Berhad	43,090	3.25	45,675
Business & Budget Hotels (Kuantan) Sdn. Bhd.	18,750	1.42	19,875
Megahub Development Sdn. Bhd.	18,250	1.38	19,345
East-West Ventures Sdn. Bhd.	62,500	4.72	66,250
Syarikat Pelanchongan Pangkor Laut Sendirian Berhad	24,250	1.83	25,705
Tanjong Jara Beach Hotel Sdn. Bhd.	21,750	1.64	23,055
	936,054	70.68	992,217

<----- 2012 ----->			
	No. of units held '000	Percentage of total units %	Market Value RM'000
YTL Corporation Berhad	747,464	56.44	762,413
YTL Power International Berhad	43,090	3.25	43,952
Business & Budget Hotels (Kuantan) Sdn. Bhd.	18,750	1.42	19,125
Megahub Development Sdn. Bhd.	18,250	1.38	18,615
East-West Ventures Sdn. Bhd.	62,500	4.72	63,750
Syarikat Pelanchongan Pangkor Laut Sendirian Berhad	24,250	1.83	24,735
Tanjong Jara Beach Hotel Sdn. Bhd.	21,750	1.64	22,185
	936,054	70.68	954,775

The market value of the units held by the companies related to the Manager is determined by using the closing market value of the Trust as at 28 June 2013 of RM1.06 per unit (2012: RM1.02 per unit).

Pintar Projek Sdn. Bhd., the Manager of the Trust is also a subsidiary of YTL Corporation Berhad, a public listed company. YTL Corporation Berhad is therefore deemed to have control over the Trust as Pintar Projek Sdn. Bhd. governs the financial and operating policies of the Trust.

Notes to the Financial Statements

29. SIGNIFICANT RELATED PARTY TRANSACTIONS

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The following significant transactions which have been transacted with companies related to the Manager and the major unitholder are as follows:-

	2013 RM'000	Group 2012 RM'000
Transactions with companies related to the Manager and the major unitholder		
Business & Budget Hotels (Penang) Sdn. Bhd.		
Acquisition of investment property	–	100,000
Lease rental of investment property	8,200	5,148
Business & Budget Hotels (Kuantan) Sdn. Bhd.		
Acquisition of investment property	–	75,000
Lease rental of investment property	6,000	3,767
Cameron Highlands Resort Sdn. Bhd.		
Lease rental of investment property	4,000	2,511
Niseko Village K.K.		
Acquisition of investment property	–	231,889
Lease rental of investment property	15,403	8,248
Prisma Tulin Sdn. Bhd.		
Acquisition of investment property	–	100,000
Lease rental of investment property	8,200	5,148
Star Hill Hotel Sdn. Bhd.		
Lease rental of investment properties	34,774	32,739
YTL Corporation Berhad		
Disposal of CPUs	–	42,675
YTL Land Sdn. Bhd.		
Acquisition of investment property	–	50,000
Rental of car park space	1,676	1,596
Transactions with company related to a director of the Manager		
Tanjong Jara Beach Hotel Sdn. Bhd.		
Acquisition of investment property	–	87,000
Lease rental of investment property	7,000	4,394

29. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

	Group	
	2013 RM'000	2012 RM'000
Transactions with subsidiaries of holding company of the major unitholder		
East-West Ventures Sdn. Bhd.		
Acquisition of investment property	–	250,000
Lease rental of investment property	19,250	12,085
Megahub Development Sdn. Bhd.		
Acquisition of investment property	–	73,000
Syarikat Pelanchongan Pangkor Laut Sendirian Berhad		
Acquisition of investment property	–	97,000
Lease rental of investment property	8,400	5,273
	Trust	
	2013 RM'000	2012 RM'000
Transactions with subsidiaries		
Starhill Hospitality REIT (Australia) Sdn. Bhd.		
Shareholder loan	1,130,171	–
Shareholder loan interests	59,217	–
Starhill REIT Niseko G.K.		
Shareholder loan	–	249,443
Shareholder loan interests	8,524	5,520
Conversion of loan to capital	279	61,960
Partial repayment of shareholder loan	2,675	–

The Manager is of the opinion that these transactions are conducted in the normal course of business and have been established on terms and conditions negotiated by the related parties.

Notes to the Financial Statements

30. OPERATING LEASE ARRANGEMENT

The Group leases out its investment properties as follows:-

- (i) for JW Marriott Hotel and The Residences at The Ritz-Carlton, Kuala Lumpur, the lease term are twenty and twenty five years respectively; and
- (ii) for other investment properties, the average tenure is a lease term of fifteen years.

All lease arrangements are provided with a step-up rate of 5% every five years and an option to grant the respective lessees to renew the lease for a further term similar to the original lease agreements.

The future minimum lease payments receivable under non-cancellable operating leases contracted for at the reporting date but not recognised as receivables, are analysed as follows:-

	Group		Trust	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Not later than 1 year	111,813	111,364	96,273	95,824
Later than 1 year and not later than 5 years	572,703	567,113	493,061	488,247
Later than 5 years	892,268	1,009,672	765,811	866,898
	1,576,784	1,688,149	1,355,145	1,450,969

31. FINANCIAL RISK MANAGEMENT

The Group's and the Trust's operations are subject the following risks:-

- (a) Credit risk;
- (b) Liquidity risk;
- (c) Interest rate risk; and
- (d) Foreign currency exchange risk.

(a) Credit risk

Credit risk is the risk of a financial loss to the Group and the Trust if a lessee or counterparty to a financial instrument fails to meet its contractual obligations. The Group's and the Trust's exposure to credit risk arise principally from its receivables from lessees or other financial assets (including cash & bank balances), the Group and the Trust minimise credit risk by dealing with high credit rating counterparties.

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Normally security deposits are obtained and credit evaluations are performed on customers requiring credit over a certain amount.

31. FINANCIAL RISK MANAGEMENT (CONTINUED)**(a) Credit risk (continued)***Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the Statement of Financial Position.

Cash and cash equivalents that are neither past due nor impaired are placed with or entered into with reputable financial institutions with high credit ratings and no history of default.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are measured at their realisable values. The Group and the Trust use ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 30 days, which are deemed to have higher credit risk, are monitored individually.

The exposure of credit risk for trade receivables as at the end of the reporting period by geographic region was:-

	Group		Trust	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Domestic	787	850	787	850
Australia	7,480	–	–	–
	8,267	850	787	850

Inter-company balances

The Trust provides unsecured advances to subsidiaries and where necessary makes payments for expenses on behalf of its subsidiaries. The Trust monitors the results of the subsidiaries regularly. As at 30 June 2013, the maximum exposure to credit risk is represented by their carrying amounts in the Statements of Financial Position.

Management has taken reasonable steps to ensure that inter-company receivables are stated at the realisable values. As at 30 June 2013, there was no indication that the advances extended to the subsidiaries are not recoverable.

(b) Liquidity risk

Liquidity risk is the risk that the Group or the Trust will encounter difficulty in meeting its financial obligations due to shortage of fund. The Group's and the Trust's exposure to liquidity risk arise principally from its various payables, loans and borrowings.

The Group and the Trust maintain a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

Notes to the Financial Statements

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

The table below summarises the maturity profile of the Group's and the Trust's financial liabilities as at the end of the reporting period based on contractual undiscounted repayment obligations:-

	←----- 2013 ----->			
	Contractual Cash flows RM'000	Under 1 year RM'000	1-2 years RM'000	2-5 years RM'000
Group				
<i>Financial liabilities</i>				
Borrowing	1,931,843	71,497	71,497	1,788,849
Trade payables	4,156	4,156	-	-
Other payables	45,593	43,144	2,449	-
	1,981,592	118,797	73,946	1,788,849

Trust				
<i>Financial liabilities</i>				
Borrowing	1,931,843	71,497	71,497	1,788,849
Other payables	12,881	12,881	-	-
	1,944,724	84,378	71,497	1,788,849

	←----- 2012 ----->			
	Contractual Cash flows RM'000	Under 1 year RM'000	1-2 years RM'000	2-5 years RM'000
Group				
<i>Financial liabilities</i>				
Borrowing	209,569	8,550	8,550	192,469
Other payables	25,603	25,603	-	-
	235,172	34,153	8,550	192,469

Trust				
<i>Financial liabilities</i>				
Borrowing	209,569	8,550	8,550	192,469
Other payables	18,342	18,342	-	-
	227,911	26,892	8,550	192,469

31. FINANCIAL RISK MANAGEMENT (CONTINUED)**(c) Interest rate risk**

The Group's and the Trust's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. Short term receivables and payables are not significantly exposed to interest rate risk.

The interest rate profile of the Group's and the Trust's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:-

	Group		Trust	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Fixed rate instruments				
<i>Financial assets</i>				
Shareholders loan	–	–	1,198,083	194,339
<i>Financial liabilities</i>				
Borrowing	1,575,469	180,000	1,575,469	180,000
Floating rate instruments				
<i>Financial assets</i>				
Deposits with licensed financial institution	107,370	91,344	89,029	91,344

The Group and the Trust does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

A change of 50 basis points in interest rate at the end of the reporting period would have increased equity and post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

	Equity		Profit or loss	
	50 bp increase RM'000	50 bp decrease RM'000	50 bp increase RM'000	50 bp decrease RM'000
Group				
2013				
Floating rate instruments	–	–	543	(543)
Cash flow sensitivity (net)	–	–	543	(543)

Notes to the Financial Statements

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Interest rate risk (continued)

	Equity		Profit or loss	
	50 bp increase RM'000	50 bp decrease RM'000	50 bp increase RM'000	50 bp decrease RM'000
Trust				
2013				
Floating rate instruments	–	–	455	(455)
Cash flow sensitivity (net)	–	–	455	(455)

	Equity		Profit or loss	
	50 bp increase RM'000	50 bp decrease RM'000	50 bp increase RM'000	50 bp decrease RM'000
Group/Trust				
2012				
Floating rate instruments	–	–	457	(457)
Cash flow sensitivity (net)	–	–	457	(457)

(d) Foreign currency exchange risk

The Group is exposed to foreign currency risk arising from Japanese Yen (“JPY”) and Australian Dollar (“AUD”). The Group has investment in foreign operations whose net assets are exposed to foreign currency translation risk.

The table illustrates the impact on the other comprehensive income and profit after tax resulting from currency sensitivities (on the basis all other variables remain constant).

	Group		Trust	
	Increase in other comprehensive income RM'000	Increase in profit after tax RM'000	Increase in other comprehensive income RM'000	Increase in profit after tax RM'000
2013				
5% changes on JPY exchange rate	(684)	–	–	7,694
5% changes on AUD exchange rate	44,385	–	–	52,210
2012				
5% changes on JPY exchange rate	21,233	–	–	16,573

32. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:-

- Loans and receivables (“L&R”);
- Available for sales (“AFS”); and
- Other financial liabilities measured at amortised cost (“OL”).

	Note	Carrying amount RM'000	L&R RM'000
Group – 2013			
Financial assets			
Current			
Trade receivables	17	8,267	8,267
Other receivables & deposits	18	2,418	2,418
Cash and cash equivalents	20	162,885	162,885
		173,570	173,570
Financial liabilities			
Non-current			
Borrowing	22	1,575,469	1,575,469
Other payables	23	2,449	2,449
Current			
Trade payables	24	4,156	4,156
Other payables	23	43,144	43,144
		1,625,218	1,625,218

Notes to the Financial Statements

32. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (continued)

	Note	Carrying amount RM'000	L&R RM'000
Trust – 2013			
<i>Financial assets</i>			
Non-current			
Amount due from subsidiaries	14	1,198,083	1,198,083
Current			
Trade receivables	17	787	787
Other receivables & deposits	18	443	443
Amount due from subsidiaries	14	56,485	56,485
Cash and cash equivalents	20	89,734	89,734
		1,345,532	1,345,532

	Note	Carrying amount RM'000	OL RM'000
<i>Financial liabilities</i>			
Non-current			
Borrowing	22	1,575,469	1,575,469
Current			
Other payables	23	12,881	12,881
		1,588,350	1,588,350

	Note	Carrying amount RM'000	L&R RM'000
Group – 2012			
<i>Financial assets</i>			
Current			
Trade receivables	17	850	850
Other receivables & deposits	18	76,835	76,835
Cash and cash equivalents	20	92,007	92,007
		169,692	169,692

32. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (continued)

	Note	Carrying amount RM'000	OL RM'000
Group – 2012 (continued)			
<i>Financial liabilities</i>			
Non-current			
Borrowing	22	180,000	180,000
Current			
Other payables	23	25,603	25,603
		205,603	205,603
Trust – 2012			
<i>Financial assets</i>			
Non-current			
Amount due from subsidiary	14	194,339	194,339
Current			
Trade receivables	17	850	850
Other receivables & deposits	18	65,314	65,314
Amount due from subsidiary	14	3,634	3,634
Cash and cash equivalents	20	91,457	91,457
		355,594	355,594
Trust – 2012			
<i>Financial liabilities</i>			
Non-current			
Borrowing	22	180,000	180,000
Current			
Other payables	23	18,342	18,342
		198,342	198,342

Notes to the Financial Statements

32. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Fair value of financial instruments

The carrying amounts of cash and cash equivalents, short term receivables and payables approximate fair values due to the relatively short term nature of these financial instruments.

The carrying amounts of other financial liabilities approximate the fair value as there is no change in the market interest rate for similar financing facilities. The following summarises the methods used in determining the fair value of financial instruments reflected in the above table.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future cash flows, discounted at the market rate of interest at the end of the reporting period.

Interest rates used to determine fair value

The interest rates used to discount estimated cash flows, when applicable, are as follows:-

Borrowing	4.52%
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33. PORTFOLIO TURNOVER RATIO ("PTR")

	Group		Trust	
	2013	2012	2013	2012
PTR	0.48 times	0.2 times	–	0.14 times

PTR is the ratio of the average of acquisitions and disposals of investments for the financial year to the average net asset value of the Group and the Trust during the financial year calculated on a quarterly basis.

34. MANAGEMENT EXPENSE RATIO ("MER")

	Group		Trust	
	2013 %	2012 %	2013 %	2012 %
MER	0.97	0.36	0.64	0.30

MER is calculated based on the total of all the fees and expenses incurred by the Group and the Trust in the financial year and deducted directly from the income (including the manager's fees, the trustee's fees, the auditors' remuneration and other professional fees and expenses) and all the expenses not recovered from and/or charged to the Group and the Trust (including the costs of printing, stationery and postage), to the average net asset value of the Group and the Trust during the financial year calculated on a quarterly basis.

Since the basis of calculating MER can vary among real estate investment trusts, there is no sound basis for providing an accurate comparison of the Group and the Trust's MER against other real estate investment trusts.

35. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) Acquisition of Malaysian and Japanese properties

The Trust completed the acquisitions of the following Malaysian and Japanese properties on 15 November 2011 and 22 December 2011, respectively:-

- (i) Cameron Highlands Resort;
- (ii) Vistana Penang;
- (iii) Vistana Kuala Lumpur;
- (iv) Vistana Kuantan;
- (v) The Residences at The Ritz-Carlton, Kuala Lumpur (54 units);
- (vi) The Ritz-Carlton, Kuala Lumpur;
- (vii) Pangkor Laut Resort;
- (viii) Tanjong Jara Resort; and
- (ix) Hilton Niseko.

Deferred purchase consideration for Tanjong Jara Resort

Tanjong Jara Beach Hotel Sdn. Bhd., the vendor of Tanjong Jara Resort has, via its letter dated 21 June 2011, notified the Manager and the Trustee that a fire at the Property on 15 June 2011 damaged one block of the buildings comprising 12 rooms/villas. The vendor undertook at its costs and expenses to reinstate the damaged portion of the Tanjong Jara Resort with completion by 30 June 2012 which was subsequently extended to 31 December 2012. As a result, the Trust deferred part of the purchase consideration amounted to RM10,545,455 (“deferred consideration”). Upon vendor’s confirmation on the completion of reinstatement of the damaged property on 3 December 2012, the deferred consideration was released to the vendor on 7 December 2012.

(b) Acquisition of Australian Properties

During the last financial year, the Trust’s indirect wholly-owned subsidiaries and trusts entered into three separate Sales and Purchase Agreements for the acquisition of the following hotels’ properties and the business assets for a total cash consideration of Australian Dollar 415 million, equivalent to approximately RM1,321 million (“Acquisition”), to be funded through a combination of bank borrowings and existing cash of the Trust:-

- (i) Sydney Harbour Marriott;
- (ii) Melbourne Marriott; and
- (iii) Brisbane Marriott.

The Acquisition was completed on 29 November 2012.

36. SEGMENTAL REPORTING

The Group’s two (2012: single) operating segments operate in three (2012: two) main geographical areas:-

- (i) Malaysia
- (ii) Japan
- (iii) Australia

The Group comprises the following reportable segments:-

- (i) Property rental – leasing of hotel properties
- (ii) Hotel – operating hotel business

Notes to the Financial Statements

36. SEGMENTAL REPORTING (CONTINUED)

The Manager monitors the operating results of its business units separately to make strategic decision.

The Group's segmental result for the financial year ended 30 June 2013 is as follows:-

	<----Property rental---->		<--Hotel-->	Total RM'000
	Malaysia RM'000	Japan RM'000	Australia RM'000	
External revenue	97,426	15,403	179,192	292,021
Operating expenses	(4,947)	(3,011)	(103,646)	(111,604)
Net property income	92,479	12,392	75,546	180,417
Finance income	2,195	1	1,359	3,555
Other income	18	–	5,242	5,260
Total income	94,692	12,393	82,147	189,232
Trust and administration expenses	(9,626)	(644)	(30,718)	(40,988)
Depreciation	–	–	(45,053)	(45,053)
Finance costs	(46,949)	–	–	(46,949)
Profit before tax	38,117	11,749	6,376	56,242
Income tax expense	(829)	(34)	368	(495)
Profit after tax	37,288	11,715	6,744	55,747
Non-current assets	1,342,627	205,911	1,266,935	2,815,473
Current assets	91,126	4,105	81,201	176,432
Total assets	1,433,753	210,016	1,348,136	2,991,905
Non-current liabilities	1,575,469	–	2,734	1,578,203
Current liabilities	63,115	1,394	33,125	97,634
Total liabilities	1,638,584	1,394	35,859	1,675,837
Additions to non-current assets	–	–	1,388,766	1,388,766

Notes to the Financial Statements

36. SEGMENTAL REPORTING (CONTINUED)

The Group's segmental result for the financial year ended 30 June 2012 is as follows:-

	<----Property rental---->		Total RM'000
	Malaysia RM'000	Japan RM'000	
External revenue	72,612	8,248	80,860
Operating expenses	(3,634)	(1,695)	(5,329)
Net property income	68,978	6,553	75,531
Finance income	17,292	–	17,292
Other income	28,360	–	28,360
Total income	114,630	6,553	121,183
Trust and administration expenses	(4,325)	(1,011)	(5,336)
Finance costs	(8,583)	–	(8,583)
Profit before tax	101,722	5,542	107,264
Income tax expense	(1,103)	–	(1,103)
Profit after tax	100,619	5,542	106,161
Non-current assets	1,342,627	255,898	1,598,525
Current assets	157,811	12,808	170,619
Total assets	1,500,438	268,706	1,769,144
Non-current liabilities	180,000	–	180,000
Current liabilities	66,347	7,261	73,608
Total liabilities	246,347	7,261	253,608
Additions to non-current assets	842,927	248,391	1,091,318

Notes to the Financial Statements

36. SEGMENTAL REPORTING (CONTINUED)

The following are major customers with revenues equal or more than 10 per cent of the Group's total revenue:-

	Group Revenue	
	2013 RM'000	2012 RM'000
Common control companies:-		
under the major unitholder	78,253	59,157
under the holding company of the major unitholder	27,650	17,358
	105,903	76,515

37. CAPITAL COMMITMENT

	Group		Trust	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Contracted but not provided for	-	1,274,413	-	-

The above commitment is related to the acquisition of investment properties disclosed in Note 35 to the Financial Statements.

38. CAPITAL MANAGEMENT

The Manager optimises Starhill REIT's capital structure and cost of capital within the borrowing limits prescribed by the REIT Guidelines via a combination of debt and equity funding for future acquisitions and improvement works at the Properties.

The capital management strategy for the Group and the Trust involves:-

- (a) adopting and maintaining an optimal gearing level; and
- (b) adopting an active interest rate management strategy to manage risks associated with changes in interest rates while maintaining flexibility in Starhill REIT's capital structure to meet future investment and/or capital expenditure requirements.

38. CAPITAL MANAGEMENT (CONTINUED)

The REIT Guidelines require that the total borrowing of a real estate investment trust (including borrowings through issuance of debt securities) should not exceed 50% of its total asset value at the time the borrowings are incurred, pursuant to Clause 8.37 of the REIT Guidelines. The Manager reviews the capital structure of the Group on a regular basis and monitors capital using a gearing ratio, which is total borrowings divided by total assets.

	Group		Trust	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Total borrowing	1,575,469	180,000	1,575,469	180,000
Total assets	2,991,905	1,769,144	3,033,113	1,760,372
Gearing Ratio (%)	52.66	10.17	51.94	10.23

The Trust proposes to increase the borrowing limit to 60% of the Trust's total assets to provide the Trust with the flexibility of funding larger acquisition opportunities through borrowings in the future.

The Trust is not subject to externally imposed capital requirements for the financial years ended 30 June 2013 and 30 June 2012.

39. CORPORATE PROPOSAL

The Manager of the Trust on 14 June 2013 announced that it proposed to undertake the following proposals:-

- (i) proposed placement of new units in Starhill REIT ("Placement Units") at a price to be determined later, to raise gross proceeds of up to RM800 million ("Proposed Placement");
- (ii) proposed increase in the existing approved fund size of Starhill REIT from 1,324,388,889 units up to maximum of 2,125,000,000 units ("Proposed Increase in Fund Size"); and
- (iii) proposed increase in borrowing limit to 60% of total asset value ("Proposed Increase in Borrowing Limit").

On 28 June 2013, the existing major unitholder of the Trust, namely YTL Corporation Berhad, expressed its intention to subscribe for Placement Units of up to RM310 million in value after receiving the Manager's invitation for such subscription.

The above proposals are pending approvals of SC, Bursa Securities and unitholders at a general meeting to be convened.

The Proposed Placement is conditional on the Proposed Increase in Fund Size. The Proposed Increase in Fund Size and Proposed Increase in Borrowing Limit are not conditional on any proposals.

40. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements were authorised for issue by the Board of Directors of Pintar Projek Sdn. Bhd. in accordance with a resolution of the Directors on 1 August 2013.

SUPPLEMENTARY INFORMATION

on the Disclosure of Realised and Unrealised Profits or Losses

The breakdown of the undistributed income of the Group and the Trust as at 30 June 2013, into realised and unrealised profits, pursuant to the directive issued by Bursa Malaysia Securities Berhad ("Bursa Securities") on 25 March 2010 and 20 December 2010 is as follows:-

	Group		Trust	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Total undistributed income of the Trust and its subsidiaries				
– Realised	117,861	172,172	179,536	172,098
– Unrealised	(75,923)	50,532	(76,402)	50,532
	41,938	222,704	103,134	222,630
Add/(Less): Consolidation adjustments	131,861	(6,908)	–	–
Total group undistributed income as per consolidated financial statements	173,799	215,796	103,134	222,630

The determination of realised and unrealised profits is complied based on the Guidance of Special Matter No.1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Securities Main Market Listing Requirements" issued by the Malaysian Institute of Accountants on 20 December 2010.

The disclosure of realised and unrealised profits above is solely complying with the disclosure requirement stipulated in the directive of Bursa Securities and should not be applied for any other purposes.